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Senate Economics Legislation Committee
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Dear Senator Hurley

Re: Inquiry into the Renewable Energy (Electricity) Amendment Bill 2009

Rio Tinto Alcan owns and operates the Bell Bay aluminium smelter in northern Tasmania.

Rio Tinto Alcan Bell Bay is concerned about the total cost of climate policy and is pleased the Senate is giving the Renewable Energy Target (RET) Legislation the consideration it warrants. The Renewable Energy Target (RET) will contribute an impost of around \$70 million or one third of the total cost of climate policy of nearly \$200 million to Bell Bay over the decade to 2020 (when combined with the Carbon Pollution Reduction Scheme - CRPS)

The Bell Bay smelter is a significant contributor to the Tasmanian economy, particularly the northern Tasmanian region. Our operations directly employ around 600 people plus an additional 60 full time equivalent contractors. Our business directly contributes to the local economy through payment of \$50 million in salaries per year as well as an annual spend of around \$175 million, purchasing goods and service from more than 300 Tasmanian suppliers. We work co-operatively with our communities, providing significant investment in social programmes and partnerships.

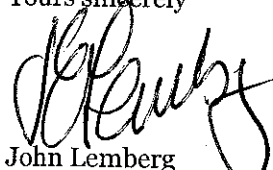
As Australia's only aluminium smelter using predominantly renewable energy, Bell Bay produces around 180 000 tonnes per annum of aluminium which is sold into international markets. The price we receive for our products is subject to rises and falls in the price of aluminium (as determined by the London Metals Exchange), and a fluctuating Australian dollar. As a price taker, we have no ability to pass increased costs through to our customers. Like most aluminium smelters, we have only limited options in terms of absorbing these imposts including cutbacks in employment, operational and community expenditure and winding back capital expenditure. Each of these measures has a detrimental impact on regional employment and the Tasmanian economy.

It is Rio Tinto Alcan's position that the current RET policy is inadequate for activities which are both emissions and electricity intensive as these industries, like aluminium, will bear the burden of both the CPRS and RET. Rio Tinto Alcan Bell Bay therefore urges the Senate Inquiry to recommend changes to the legislation to create a true 90 per cent exemption from the current and expanded RET for industries which are both emissions and electricity intensive. Even after this change is made, the cost to Bell Bay is still greater than the cost of the unexpanded MRET. Legislative amendments to this effect have been provided by Rio Tinto and the Australian Aluminium Council to the Senate Inquiry.

Although Bell Bay uses predominantly renewable hydro electricity, this provides it no advantage or exemption from the cost of RET. If Bell Bay were to receive a true 90 per cent exemption, this would not reduce the renewable generation opportunities that RET seeks to create, but rather, merely ensure that Tasmanians have the opportunity to work in both the renewable and the resource sectors – all of which are sustainable jobs for Tasmanians.

No part of this submission is confidential. If you have any queries related to this submission please contact Jennifer Jarvis (jennifer.jarvis@riotinto.com).

Yours sincerely



John Lemberg
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