

7 March 2007

Task Group on Emissions Trading Secretariat
Department of the Prime Minister and Cabinet

Dear Secretariat

APPROPRIATE AUSTRALIAN POLICY PRINCIPLES TOWARDS SIGNIFICANT REDUCTIONS IN GLOBAL GREENHOUSE GAS EMISSIONS

Alumina Limited welcomes the release of the Prime Minister's Task Group on Emissions Trading Issues Paper and the opportunity to give our input to this complex and significant issue. We have contributed to and support the submissions of Alcoa of Australia Ltd, the Australian Aluminium Council and the Business Council of Australia.

We also contribute the following principles which we believe must guide the design of an Australian emissions trading scheme (AETS).

1. Australian international competitiveness is a critical issue to be managed

Australia's economy must continue to grow and continue to attract sustainable investment. Alumina Limited's 40% investment in Alcoa of Australia, is a growing, internationally-competitive business in bauxite, alumina and aluminium smelting. We believe that recycling and the use of aluminium in transport globally will make aluminium climate-neutral by 2020.

Until there is a more level global playing field with respect to emissions, we propose that there are two main ways to ensure that trade exposed, energy intensive industries are not put at a competitive disadvantage. We encourage the Australian Government to consider:

- a) Free allocation of emissions credits to trade exposed sectors to cover the increased costs of production; or
- b) Allowing trade exposed energy intensive sectors to obtain a rebate on that part of the production that is exported. All trade exposed energy intensive industries should be dealt with equally.

The global warming impacts of aluminium production could be fully offset by the amount of carbon dioxide emissions saved by the use of aluminium in the transportation industry.

2. One National scheme, linked to others

In the absence of a global scheme, we support a phased implementation of a single national AETS, which is able to be linked with schemes of other nations that conform to certain parameters.

3. Significant reductions in GHG emissions must be achieved

Emission targets need to be challenging, with incentives for continuous improvement built in to an AETS.

An AETS must have a real impact on reducing GHG emissions. The scheme design must allow for targets to be adjusted in future decades as understanding increases. Intermediate & longer term targets must be set.

4. All major emitting sectors included

Agriculture, transport, stationary energy, land use change/forestry and industrial processes must be included.

This should be tested against the '80/20 principle' in the first few years of implementation.

5. Design an AETS now

Emissions measurement, reporting, verification, permitting and trading processes are complex. It is important that we start the design process now.

Implementation should follow, to encourage learning by doing and to further increase Australia's leverage internationally.

Australian implementation must take into account the timing and scope of the implementation of similar GHG emissions trading schemes, in other countries and regions.

6. Long term "learning by doing" is fundamental

As an AETS is designed and implemented, Australia must use its relationships to continuously seek mechanisms that encourage abatement in the economies of developed nations such as the USA and in the developing nations such as India and China. It is appropriate for Australia to address this complex task now.

7. Robust offsets necessary

It is appropriate that an AETS would use mechanisms to allow linkage with other international schemes aimed at reducing emissions.

An AETS design should also consider other offset mechanisms with appropriate scientific endorsement.

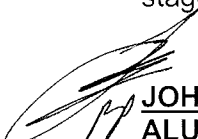
Possible examples – Australia's large land mass, high solar energy and low carbon marginal soils mean it may be in Australia's economic interest to pioneer technology and offset rules that enable long life, significant tonnage terrestrial carbon capture and sequestration mechanisms such as biomass to agrichar.

8. Complementary Measures – the importance of low Emissions and Energy efficiency technologies

Development and uptake of new technologies aimed at energy efficiency, low emissions and emissions abatement, and the efficient adoption of renewable energy sources, will also be critical to achieve significant long term emissions-reduction targets. Australia must have incentives for investment in new technologies. Early and compatible action must be recognised by an AETS.

Existing schemes such as MRET may need to be maintained.

Alumina Limited is prepared to continue to commit resources to support the next stages of the Australian Government's design of an AETS.


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