



# powering on to 2036

MARCH 2010



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## power contracts create a platform for the future

The signing of new contracts with Loy Yang Power to power the Point Henry and Portland smelters to 2036 was a landmark event for our business and for the Victorian and Australian economies.

At Alcoa we often talk about energy security as a key challenge for our business, and these contracts provide a solid platform for decision-making and future investment in our Victorian smelters.

The 20-year agreements are globally competitive, allow us to respond to market conditions, and provide an option for growth. In particular it provides an opportunity to expand our Portland operations, of course this would only be considered when the right market conditions are available.

Alcoa has long taken a leadership role in tackling climate change, and a great aspect of these contracts is a 'carbon reduction agreement'. This gives us the chance to work directly with Loy Yang Power to further reduce greenhouse gas emissions.

This is another first for us and one which builds on the fantastic work we have already done in our Victorian Operations - a 61% reduction in direct emission per tonne of aluminium since 1990.

Of course, securing base load power contracts does not overcome some of the other challenges we face. But I am confident we can work through these challenges so we can strive to create a future workplace for our children, and a strong future for the communities that we have so proudly been a part of for over 47 years.

Alan Cransberg  
Managing Director  
1 March 2010

Photo courtesy Glenelg Shire



# a word from our community leaders



“ I welcome Alcoa's base load electricity contract and the security it gives to the region's employment over the next 25 years. This contract means that Alcoa now has the potential to expand their Portland Aluminium site down the track, which is great news for employment in the South West. ”  
- Federal Member for Wannon Mr David Hawker.



“ We are very pleased to hear that Alcoa has secured its electricity future until 2036 – this is great news for our employees, the Geelong community and Alcoa's staff also. For our more than 30 supported employees, it gives them job security. Without Alcoa's Geelong operations, many of these people may not have any other employment options available to them. ”  
- Kommercial General Manager Karen Rainbow.

“ This news is fantastic for the Glenelg Shire, securing jobs for the smelter and assisting with employment across the region. The smelter provides great benefits to the local community and Victoria in general, through employment and training opportunities, its partnership program and the way it operates within the community. ”  
- Glenelg Shire Mayor Gilbert Wilson.



“ Alcoa's new power contract provides the Geelong region a sense of security. Not only one of the largest employers in town, Alcoa also provides substantial assistance to the Geelong community through its partnerships, sponsorship and employee volunteering programs, resulting in huge benefits to the community, which will now remain for many more years to come. ”  
- Committee for Geelong Executive Officer Peter Dorling.

“ The arrangement secured jobs in Portland and Geelong. ”  
- Victorian Premier John Brumby.



“ Loy Yang Power and Alcoa both operate vital national economic assets and this contract will ensure that we continue to help power Australia's ongoing economic growth...We are particularly pleased with the agreements as they support two of our key business objectives – to deliver an efficient and profitable business as well as building a sustainable future in a carbon constrained world. ”  
- Loy Yang Power Chief Executive Officer Ian Nethercote

The announcement created a great deal of media attention around Australia, it involved in-depth radio, print and metropolitan television interviews featuring both Alcoa of Australia's Managing Director Alan Cransberg and Loy Yang Power's Chief Executive Ian Nethercote.





# power contracts and our environment

a word from our general manager climate strategy tim mcauliffe

As part of the new contracts, we have signed a “carbon reduction agreement” which will help guide Loy Yang Power (LYP) and Alcoa on a shared path to a low carbon future, regardless of any formal government framework.

Under this agreement, LYP will present an annual carbon plan to Alcoa outlining proposals and opportunities to reduce greenhouse gas emissions.

It ensures Alcoa, and its joint venture partners, can participate in any project aimed at reducing LYP’s greenhouse gas emissions.

Climate change is a core sustainability issue for us and a space we have been fully engaged in for some time. We tackle it at an industry, operational and individual level and took a leadership position on climate change over a decade ago. We set and achieved several ambitious targets to reduce greenhouse gas emissions within our own operations.

For example, globally, Alcoa aimed to reduce its 1990 direct greenhouse gas emissions by 25% by 2010. We got there in 2003, seven years ahead of schedule and are now operating at over 36% below the 1990 benchmark.

Alcoa’s Victorian smelters are among the most energy efficient in the world, with direct greenhouse gas emissions

per tonne of aluminium down by 61% since 1990.

At an individual level, we run an innovative employee engagement program with our long term partner, Greening Australia. Called Make an Impact, it gets people involved in changing habits to reduce their carbon footprint, and we’re now building on its success and rolling the program out to communities like Anglesea.

Alcoa has been recognised in many global lists as a corporation that strives to model and deliver sustainability. It is something we take great pride in, but realize we have to do more.

And let’s not forget our product itself – aluminium- is part of the global solution to climate change.

Light-weight, versatile and endlessly recyclable, aluminium provides significant greenhouse benefits in transport and construction.

You probably know that we run the country’s largest recycling facility at Yennora in New South Wales, where we recycle over 70,000 tonnes of aluminium each year. Recycling saves 95% of the energy it would take to make new metal and nearly 75% of all the aluminium ever made remains in use today.

The Victorian Government’s Greenhouse strategy objectives have much in common with Alcoa’s work to transition to a lower carbon economy and we look forward to working with them, LYP and others to achieve these objectives.

We also recognise that Australia will continue to rely heavily on coal for



base load power generation. It currently supplies about 85% of Victoria’s electrical energy needs and elements of the Federal Government’s CPRS, such as the electricity sector adjustment scheme, and separate initiatives like the Global Carbon Capture and Storage Institute, reinforce the role that coal-fired power will play in Australia for many years.

We are committed to a greener future, and I hope we can play a part in mapping the energy future of Victoria, just as we did 20 years ago.





# power contracts and our people

a word from our director talent, learning and development jann kinsela

At Alcoa, we have the Alcoa Business System (ABS) which we believe provides us with our competitive edge.

We also believe that our people are the linchpin of ABS and are our priority. That's why we are so delighted to share and celebrate this news with the 1500 people we directly (and hundreds more indirectly) employ at our Point Henry, Anglesea and Portland operations.



Most of our people have been with us for a long-time and many are highly-skilled or world experts in their profession. The wages and benefits provided to our employees in 2009 amounted to around \$210 million!

Our people know the importance of energy security and the solid platform for future decision-making and further investment that these contracts can bring.

Each year the Alcoa Foundation celebrates a Worldwide Month of Service, where our people around the globe show how much change can be affected by working together with our communities. Our people in Victoria are passionate about this event, collectively volunteering more than 1000 hours in October 2009.

To complement their personal volunteering efforts, the Alcoa Foundation also provides US \$250 BRAVO! grants to community organisations in which an Alcoa employee volunteers more than 50 hours a year. In 2009 the Alcoa Foundation awarded around 220 BRAVO! grants in Victoria!

The energy announcement created an ambience of excitement within Alcoa. We celebrated the news with employee

functions at Portland and our Point Henry operations, with hundreds of employees turning out to celebrate the news.

I am delighted by the signing of these contracts and the 'platform for the future' it creates. I'm sure that all our employees will join me in saying that we have a great opportunity to create a workplace for our children and grandchildren for many years to come.



# power contracts and the community

a word from our corporate affairs manager eastern states brendan foran

Alcoa has been proudly partnering with Victorian communities for over 47 years.

During this time we have shared many highlights and some challenging times together. I firmly believe that the announcement of new power contracts with Loy Yang Power will provide a platform to extend that partnership for a further 47 years!

By injecting around \$900 million into Victoria each year and directly employing around 1500 people and many hundreds more indirectly, we play an important role in the social fabric of the community, particularly those in regional areas of the state.

Our contribution to the community extends far beyond employment. Through our 'Partnering Stronger Communities' program, we proudly partner and volunteer with over 200 community organisations annually. Some of these organisations, like United Way and the Geelong Performing Arts Centre have been part of the Alcoa family since their inception.

Some of these relationships have evolved into unique and leading initiatives that benefit both our business and the broader community.



For example:

- Seawinds Nursery, a Wholesale / Retail Nursery that provides work opportunities for people with disabilities is located onsite at Portland Aluminium. Seawinds is a division of Kyeema Support Service who have been working with Portland Aluminium since 1987.
- Greening Australia, our partner in the community of 27 years, is now our partner at work as the designers and managers of the United Nations award-winning 'Moolapio' land management program at Point Henry.
- Between serving nutritious and well-prepared food to around 850 employees and external visitors, the 'Kommercial Café' at Point Henry is also a training centre for people of all abilities.
- The employment of dedicated 'Community Relations Officers' at each site to work with the community on matters of mutual interest and concern.



We are very proud to be part of the communities of Anglesea, Geelong and Portland and believe that our new energy arrangements are a demonstration of our enduring commitment to the state of Victoria.

We look forward to powering on together to 2036!





Loy Yang Power's Ken Thompson and Alcoa's Steve Abbott led contract discussions over many years that culminated in the signing of the new 20-year power agreements.

## "the largest electricity contract in Australian history"

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Herbert Geer congratulates Steve Abbott, the Alcoa Team and the Portland Joint Venture Partners on the signing of the largest electricity contract in Australian history.



Andrew Venables and Herbert Geer are pleased to have advised Alcoa and their joint venture partners.

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