

Key Elements of Alcoa's CPRS Green Paper Submission

Alcoa shares the view expressed in the CPRS Green Paper that the first best solution to address the international competitiveness concerns of Emissions Intensive Trade Exposed Industries (EITEs) is the development of a comprehensive global agreement under which all major emitters have binding carbon constraints.

In the absence of such an agreement, Alcoa supports the Australian Government's desire to show leadership and introduce an Australian emissions trading scheme, provided it is done in a way that addresses the environmental challenge while strengthening the Australian economy and preserving the jobs and social benefits that spring from Australian export industries – such as the alumina and aluminium industry.

Introduction of the Carbon Pollution Reduction Scheme (CPRS) in a way that led to carbon and jobs leakage would not be in the interests of the global environment, Australian economy or Australian people.

Conversely it is imperative that EITE industries, and the communities they support, continue to grow in Australia through sustaining and expansion investment.

Critical elements in the early introduction of an Australian CPRS for the alumina and aluminium industries include:

- Maintaining the international competitiveness of Australian emissions-intensive trade-exposed (EITE) industries, in the period of transition to a comprehensive, comparable international carbon signal;
- An allocation of permits covering direct and indirect emissions for both existing and new investments in emissions-intensive trade-exposed industries;
- Permit security over an investment-relevant time frame that must be retained while key international competitors do not face a similar carbon cost; and
- Ensuring an effective market-based ETS is not damaged by other policy interventions such as renewable energy targets – and that steps taken to avoid prejudice to emissions-intensive trade-exposed industries are not negated by such policies now or in the future.

To achieve the above, Alcoa's submission recommends the following in relation to EITE assistance:

- Australian EITE permit security must extend to the point that key competitor countries adopt similar carbon costs;
- All EITE industries should receive an initial allocation of 90% of direct emissions obligations;
- It is essential that trajectory-driven decay of EITE permits is restricted until competitor countries implement a comparable carbon price signal. This can be achieved through a "flat" emissions cap until competitor countries embrace change;
- Allocations to cover indirect emissions must be based on facility (power provider) emissions intensities to avoid disproportionate and unsustainable impacts on some EITE facilities;
- The CPRS should treat the additional carbon costs of energy purchase as gas in a manner similar to that proposed for electricity purchase;
- Embedded generators that supply directly to EITEs should be considered as part of indirect emissions allocations to EITEs, rather than as market generators;
- The most electricity intensive of the EITE industries should be exempt from the National Renewable Energy Target (NRET); and
- The Alcoa Australia rolled products and remelting facilities be included in the EITE category.

In relation to other matters of design detail, Alcoa recommends the following:

- Design of the CPRS should include provisions to encourage greenhouse effective domestic use of Australia's natural gas resources;
- Carbon transferred to CCS facilities should generate credits that can be transferable and be subject to commercial arrangements between the original emitter and CCS operators;
- The CPRS must allow for equity share accounting of emissions associated with facilities subject to joint ventures, partnerships or facilities owned by a different corporation; and
- The regulator's decisions should be subject to Ministerial review and oversight. Provided that directions are made in a transparent and public manner, the Minister should be empowered to give specific directions to the regulator.