



Resolution Number Six

Submitted by National Secretary, Paul Howes.

Climate Change – Modelling the impacts on aluminium

Background

'Carbon leakage' is one of the most significant issues the Federal Government must carefully consider in the development and implementation of an Emissions Trading Scheme. If energy-intensive trade-exposed (EITE) Australian companies cannot remain internationally competitive, they may be forced to close or scale down production.

This capacity could ultimately be picked up by countries which do not have a carbon price - this is 'carbon leakage'. In some cases, this could lead to greater greenhouse gas emissions and be more damaging to the global environment - because Australian businesses are generally more environmentally efficient in production processes.

For example, Australia's aluminium refineries are amongst the most greenhouse and energy efficient in the world. Every tonne of alumina made in Australia produces less than half the greenhouse emissions and uses just over half the energy than alumina made in China. For these reasons, it is important EITE industries, including the aluminium industry, are recognised and given the necessary assistance under the Carbon Reduction Scheme. This assistance will be needed until such time as a global carbon price is in place and a level playing field is established.

Modelling by Treasury indicates that the Australian aluminium industry will require significant assistance. Under a best case scenario, it is forecast that by 2050 the output of alumina and aluminium will fall by 17 per cent and 45 per cent respectively.

The proposed assistance to EITE industries, as outlined in the Federal Government's Green paper, is of critical importance to those industries until Australia's competitors face a similar carbon cost. Treasury's economic modelling reinforces the point that adopting a carbon price ahead of key competitors represents a risk to the future of the Australian aluminium industry.

From the AWU's perspective, it is critical that EITEs (and in particular the aluminium industry) receive maximum assistance through an Emissions Trading Scheme. The European Union (EU), for example, is proposing up to 100 per cent assistance under its carbon price scheme to 2020. It is important to learn the lessons from the EU, which failed to provide assistance to smelters to cover the indirect cost of electricity in their original emissions trading arrangements. As a consequence, industries, investment and workers were lost to unregulated jurisdictions. They appear to be concerned to not make the same mistake again.



NATIONAL CONFERENCE 2009



The greenhouse gas intensity of Australian aluminum smelting has fallen sharply over time reflecting advances in emission controls and investment in efficiency technology. The AWU has worked with the aluminum industry since 1990 in reducing direct emissions per unit of production by 59 per cent since 1990. With production increasing by 56 per cent since 1990 the changes in direct emissions is impressive.

Importantly, the overall emissions intensity (including direct emissions and indirect emissions from both electricity and alumina inputs) of Australia's aluminum smelters in 2006 had improved 23 per cent since 1990.

Growth in the alumina refining sector has been even higher than the aluminum smelting sector, with a 64 per cent increase in production from 1990 levels. During this period growth in total industry emissions was only 29 per cent higher, reflecting a 21 per cent improvement in emissions intensity.

Resolution

This National Conference call on the Federal Government to design and implement an Emissions Trading Scheme which takes appropriate account of the threat of Australian jobs and direct investment being lost to overseas countries, particularly with regard to the aluminium industry.

This National Conference rejects the proposition that assistance to industry needs to be smaller than the gap that exists an Australian carbon price and world carbon prices, and insist that the maximum rate of assistance should be provided to all emissions-intensive trade-exposed industries.

Moved:

Seconded:

Outcome: