



Rio Tinto

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Commonwealth Department of Environment and Energy  
Email submission to:  
NationalEnergyGuarantee@environment.gov.au

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Dear Sir/Madam

**Re: National Energy Guarantee – Draft Detailed Design for Consultation – Commonwealth Elements**

Rio Tinto welcomes the opportunity to make a submission to the Department of Environment and Energy (“the Department”) on the *National Energy Guarantee Draft Detailed Design Paper for Consultation – Commonwealth Elements* (the “Draft Commonwealth Paper”).

Rio Tinto has interests in three aluminium smelters and two alumina refineries that together use around 10 per cent of the electricity consumed in the National Electricity Market (“NEM”). As an inherently energy-intensive business, Rio Tinto seeks to produce minerals and metals in the most efficient way possible to both reduce its environmental impact and lower its operating costs. In joining with businesses across the world in signing the Paris Pledge for Action, Rio Tinto supported the outcome agreed by 195 governments at the international climate negotiations at COP21. Since 2008 we have reduced our greenhouse emissions intensity by 27 per cent and our absolute emissions by 35 per cent.

Rio Tinto sees the role of government, both Federal and State, as creating the right long-term targets and policy to meet the requirements of secure and reliable electricity supply at an internationally competitive price consistent with national environmental and climate change objectives. We support an integrated approach to energy and climate change that delivers a sustainable and durable investment framework.

The Draft Commonwealth Paper outlines the proposed design approach by the Commonwealth to the National Energy Guarantee (“the Guarantee”), the centrepiece of a national policy to improve the operation of the NEM. A functioning and effective NEM is very important to Rio Tinto and the particular policy approach of the Guarantee has been customised specifically to ensure this outcome. With operations across Australia our assessment is the Guarantee is fit-for-purpose to address the issues of the NEM. We do not see a need for the Guarantee to be extended beyond the NEM to either Western Australia or the Northern Territory.

Rio Tinto strongly supports the principles of the Guarantee including governments in Australia agreeing to a framework that integrates energy and climate change policies for the NEM. We welcome the focus of the Guarantee policy design on securing reliable, predictable and internationally competitive energy supplies consistent with Australia’s emissions obligations.

The technology neutral approach of the Guarantee is very important. With current capital and operating cost structures, there is no single technology that provides all of the answers to meeting reliability/security, emissions and cost objectives of the NEM.

Recognising the rapid pace of the design process for the Guarantee, we continue to be actively engaged with the Energy Security Board ("ESB"), the Department and other stakeholders on the design of the Guarantee and its interaction with other energy policy measures.

Our responses in this submission are specific only to the Commonwealth elements of the Guarantee design and we have not sought to discuss broader energy policy issues. These responses should be considered alongside the feedback on detailed design that we have already given to the Department. In some cases in this submission, we also discuss the policy elements put forward by the ESB as these aspects must fit seamlessly with the policy elements and legislation proposed by the Commonwealth for the Guarantee to function.

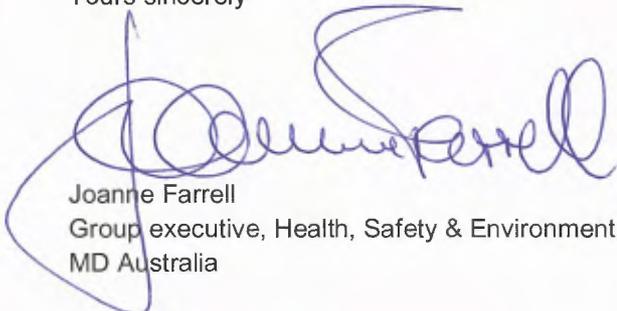
Rio Tinto's detailed response is set out in Attachment 1. In summary, we:

- support the proposed approach to set an emissions intensity target in legislation for 10 years, with the subsequent 5 years of target set at 5 yearly intervals. This is important in ensuring that the Guarantee supports investment in the NEM;
- support the approach of not adjusting the Guarantee for separate State-based renewable initiatives;
- confirm the importance of extending the Emissions Intensive Trade Exposed ("EITE") exemption that applies under the Renewable Energy Target ("RET") to the Guarantee to ensure the ongoing international competitiveness of trade-exposed industries;
- support the high level approach proposed of integrating the assurance and exemption certificate application process with the equivalent RET process. We emphasise the importance of ensuring that the quantity of the exemption is appropriately adjusted for differences in measurement point and the treatment of self-generation;
- have recommended particular drafting and policy measures to be put in place to ensure the policy intent of a full exemption for EITE activities is achieved by the design of the Guarantee. This is to ensure that differences in the Guarantee design when compared to the RET do not prevent the EITE exemption certificate providing a full exemption, as is the clear policy intent. For example, we have recommended some relatively simple changes in the sequence and operation of scaling factors, noting that although the scaling factor approach is part of the ESB design of the Guarantee, the proposed changes have implications for the Commonwealth design elements.
- support a role for offsets in the Guarantee as part of delivering flexibility and least cost abatement.

There are elements of our response that are relevant to commercially sensitive issues affecting our operations and our confidential and long term contractual arrangements. Accordingly Attachment 1, which sets out our technical comments on the above issues, is submitted on a confidential basis and is not for public disclosure. However, this letter contains Rio Tinto's public submission, reflecting its support for the Guarantee.

We would welcome the opportunity to discuss this further with you. If you have any questions in the interim, please contact Daniel Woodfield (Daniel.Woodfield@riotinto.com).

Yours sincerely



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