AUSTRALIAN ALUMINIUM COUNCIL LTD

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Dear Daniel

Re: Standards Australia Discussion Paper: Supply Chain Resilience

The Australian Aluminium Council (the Council) represents the Australian bauxite mining, alumina refining, aluminium smelting and downstream aluminium manufacturing industries. The Council welcomes the opportunity to respond to the Standards Australia Discussion Paper on Supply Chain Resilience. In particular, the Council wishes to draw Standards Australia's attention to the existing vertical integration and domestic supply chains within the industry and the opportunities for Australia to leverage existing industries, to strengthen its domestic capabilities.

The Australian aluminium industry has been operating in Australia since 1955 and has been a significant contributor to the Australian economy since this time. The industry is globally comparatively young and well maintained. The industry includes five bauxite mines (>10 Mt per annum), six alumina refineries and four aluminium smelters (Figure 1); in addition to downstream processing such as extruders and distributors. Australia is the world's largest producer of bauxite and largest exporter of alumina, and the sixth largest producer of aluminium. As such, the upstream industry should be considered as three processes which each have their own globally significant standing. Australia's aluminium industry is a key employer and contributor in the communities in which we operate. In 2019 we:

- Directly employed more than 15,000 people;
- Provided income for another 40,000 families;
- Paid $1B in wages, at a rate nearly double the Australian manufacturing average;
- Spent more than $4 B in our local communities; and
- Contributed more than $15B to the Australian economy in export revenue.

Figure 1. Aluminium industry operations

Within the regions in which the industry operates, there is not only high-quality direct employment at mines, refineries, smelters and extruders, but also the opportunities for local manufacturers to grow where the aluminium industry provides a baseline of work on which they can then build. For example, Keppel Prince[i] in Portland began in 1968 specialising in the aluminium and forestry industries. While maintaining a long-term maintenance and full-service partnership with Portland Aluminium Smelter since 1986, for the last twenty years Keppel Prince have also expanded to be at the forefront of renewable energy production. This regional capability with associated infrastructure underpinned by the aluminium industry is an important enabler for low emissions technology development and manufacture.

The aluminium industry is committed to strong local content, local procurement and local participation. However, supply chain must also be competitive, including for raw material supplies. Supply chains for supply to the alumina refinery, aluminium smelters and downstream processes are highly specialised.

During the first half of 2020, the aluminium and alumina markets collapsed because of COVID-19. While prices have in part recovered, the longer-term future of industry will depend on the rate of recovery of the global manufacturing sector and the impact this has on international demand. The sector has been impacted by border delays during the crisis. While this is, to an extent, to be expected in a black swan event, the lack of preparedness for a crisis and risk-based decision making in development of response protocols has exacerbated delays and increased costs (e.g. demurrage at ports).

Equally, the COVID-19 pandemic has underscored the importance of electricity intense manufacturing domestically, supporting a productive and resilient economy. The COVID crisis has demonstrated the advantages of not only the ability to value add within an almost exclusively domestic supply chain but also the importance of local industry which provides the underpinning market for our dependent contracting and manufacturing sector. This sector was able to pivot to meet rapidly changing domestic needs such as sanitiser, face shields and ventilators. Energy intensive industry provides not only current regional jobs, but also supports the smart Australian jobs of the future.

In the downstream sector, COVID- 19 interrupted import supply chains for customers who previously sourced materials internationally. This, combined with significant disruption in shipping logistics, meant many companies with international supply chains needed to look for local solutions. Australian aluminium extruders were able to step into the breach to avoid more significant impacts other sectors, such as building and construction by replacing imported supply chains with domestic production. For example, solar rail, window and door products reverted to Australian based production to keep their businesses and customers supplied. This also applied across critical market segments including defence, heavy transport, ship building, medical equipment, building and construction (residential, commercial and industrial), medical, energy and infrastructure projects. A strong domestic aluminium extrusion sector helps ensure that broader economic activity is able to continue in times of national crisis like COVID-19.

While Australia exports the majority of the primary aluminium it produces, around 120,000 tonnes of it is further manufactured domestically. This is an important market for billet from Australian smelters. Every tonne of imported extrusion material impacts on the Australian portfolio and ultimately their cash margin. The Australian extrusion market in total is estimated at around 190,000 tonnes. Australia's nine extruders have a nameplate capacity of 150,000 tonnes, however at the moment around 30,000 tonnes is idled. Support for the Australian aluminium manufacturing sector could see a growth in domestic production; and more jobs for Australians.

A report by the CM Group[ii] in May 2020, found even accounting for the COVID-19 pandemic, the 30-year global outlook for aluminium demand is strongly positive with a forecast compound annual growth rate of 3.8% over the 30-year period to 2050, resulting in annual demand of approximately 335 million tonnes per year by 2050 (across both primary and secondary aluminium consumption). This is consistent with World Bank[iii] projections of 100 million tonnes of primary production by 2050. The World Bank found that as aluminium is used across a broad range of low emission technologies, it is less susceptible to changes in technology deployment, and it has the highest absolute levels of demand from any of the minerals included in their analysis. As the world's largest producer of bauxite and largest exporter of alumina, and with a wealth of energy resources, Australia should be well placed to capitalise on this competitive advantage in the future.

Australia's industry is seeking a restoration of international competitiveness. A future where Australia's world class energy resources are translated into internationally competitive, low emissions, reliable energy will ensure industrial production, emissions and jobs are not exported to other countries. Efficient deployment of technological changes will support the transition of economically important industrial sectors such as alumina and aluminium, enabling a greater manufacturing sector. In deploying these technologies, Australia will also need to address its relatively high cost capital costs, compared to international competitors.

If you have any questions regarding this submission, or the role of the aluminium and other energy intensive sectors on the Australia's domestic supply chains, please do not hesitate to contact me.

Kind regards,

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[i] http://www.keppelprince.com/default.asp?id=1,3,0,3

[ii] An Initial Assessment of the Impact of the COVID-19 Pandemic on Global Aluminium Demand, CM Group, May 2020. http://www.world-aluminium.org/media/filer_public/2020/05/28/initial_assessment_of_the_impact_of_the_covid-19_on_global_al_demand_.pdf

[iii] Minerals for Climate Action: The Mineral Intensity of the Clean Energy Transition, May 2020
http://pubdocs.worldbank.org/en/961711588875536384/Minerals-for-Climate-Action-The-Mineral-Intensity-of-the-Clean-Energy-Transition.pdf