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Dear Chair

Australian Aluminium Council Response to Review of International Offsets

The Australian Aluminium Council (the Council) represents Australia's bauxite mining, alumina refining, aluminium smelting and downstream processing industries. The aluminium industry has been operating in Australia since 1955, and over the decades has been a significant contributor to the nation's economy. It includes five large (>10 Mt per annum) bauxite mines plus several smaller mines which collectively produce over 100 Mt per annum making Australia the world's largest producer of bauxite. Australia is the world's largest exporter of alumina with six alumina refineries producing around 20 Mt per annum of alumina. Australia is the sixth largest producer of aluminium, with four aluminium smelters and additional downstream processing industries including more than 20 extrusion presses. Aluminium is Australia's highest earning manufacturing export. The industry directly employs more than 17,000 people, including 4,000 full time equivalent contractors. It also indirectly supports around 60,000 families predominantly in regional Australia.

The Council recognises that the Climate Change Authority (the Authority) is conducting a review of international carbon markets (the Review) in the context of the Paris Agreement and at the request of the Minister for Industry, Energy and Emissions Reduction. The Review will provide advice on the principles and criteria to apply to the future use of international offsets under the Government's Climate Active program and will inform the development of Australia's Indo-Pacific Carbon Offsets Scheme (IPCOS) and may be relevant for accounting for Australia's national emission reduction targets.

Aluminium Industry Pathways

The major operators and joint venture participants in Australia's aluminium industry have ambition to net zero by 2050, supported by interim term goals (Table 1). However, when comparing these targets with performance within Australia or at a facility level it is worth noting that corporate ambitions are set at levels that are in line with their policies and subject to their accounting and transparency rules.

Table 1. Comparison of Industry Corporate Ambitions¹

Company	Interim Goal (s)	Net Zero Ambition
Alcoa	30% reduction in scope 1 & 2 emission intensity by 2025 50% reduction in scope 1 & 2 emissions emission intensity by 2030 from 2015 baseline	Net zero by 2050
Rio Tinto	15% reduction in scope 1 & 2 emissions by 2025 50% reduction in scope 1 & 2 emissions by 2030	Net zero by 2050
South32	50% reduction in operational carbon emissions (Scope 1 & 2) by 2035 from FY21 baseline	Net zero by 2050
Alumina Ltd ²	45% reduction in scope 1 and 2 emissions by 2030 (from a 2010 baseline)	Net zero by 2050
Hydro ³	Reduction of 30% by 2030	Net zero by 2050

The Council has developed a series of factsheets which indicate the key pathways for industry decarbonisation:

1. [Australia's role in a global aluminium decarbonisation pathway](#);
2. [How Australian bauxite will help meet global demand for aluminium](#);
3. [Australia's role in developing low carbon alumina refining technologies for the world](#);
4. [The role of Australia's aluminium smelters in providing baseload stability in a decarbonising grid](#); and
5. [Decarbonisation of Australia's electricity supply](#), which the Council sees as the single biggest opportunity to decarbonise the vertically integrated domestic aluminium industry.

However, as noted in the Review, the scale and magnitude of this task requires not only significant and rapid emissions reductions, but to deliver least cost abatement may involve the use of offsets from international carbon markets.

The Council supports the use of a mitigation hierarchy with regard to the use of voluntary offsets:

1. Avoid new emissions;
2. Reduce existing emissions; and
3. Offset only what cannot be eliminated.

Members of the Council have also been involved in the creation of carbon credits under a number of Australian Government initiatives including the historic Greenhouse Friendly scheme and the current Emissions Reduction Fund.

Use of Offsets

The Council supports the integrity principles as outlined in the Climate Active Carbon Neutral Standard, to ensure offsets used in Australia represent real emissions reductions, make a genuine contribution to the goals of the Paris Agreement, and provide confidence in action by Australian companies to achieve targets.

It is worth noting that companies can have different goals in their use of offsets. For example, compliance offsetting to meet regulatory obligations would require use of regulator approved carbon credits. However,

¹ Sources: <https://www.riotinto.com/en/sustainability/climate-change>, <https://www.alcoa.com/global/en/stories/releases?id=2021/10/advancing-sustainably-alcoas-2050-net-zero-ambition>, https://www.south32.net/docs/default-source/exchange-releases/2021-south32-sustainability-briefing.pdf?sfvrsn=d8a76a71_2, <https://www.hydro.com/en/media/news/2021/hydro-capital-markets-day-2021-sustainable-value-creation/>

² Alumina Ltd are a JV participant in Alcoa World Alumina and Chemicals, which operate two mines and three refineries in Western Australia and has equity in the Portland Aluminium Smelter.

³ Hydro is a JV participant in Tomago Aluminium Company.

companies may also undertake voluntary offsetting to demonstrate corporate social responsibility, including achievement of voluntary net zero or carbon neutrality commitments. When undertaking voluntary offsetting, companies will seek to use offsets to demonstrate corporate citizenship and genuine commitments to achieve carbon reduction targets, avoid reputational risks in the use of poor quality carbon credits, not use carbon credits irresponsibly nor make invalid claims. Therefore, a broad range of credible carbon offsets should be available for this purpose, provided that they meet certain minimum standards of integrity and quality and represent genuine additional abatement.

The Council notes that there are already a number of existing global programs which provide assurance and standardisation on carbon credits. There is also an emerging number of organisations which provide a rating on the quality of these carbon credits. The Council recognises that there is a need for transparency around both the quality and quantity of the offsets associated with any claim. One of the challenges for Australia will be to balance the generation and crediting of these offsets and maintaining the integrity of the national and the states' standards that must align with recognised international carbon crediting standards.

The types of standards and criteria which could be considered in setting minimum standards for offsets with sufficient integrity include:

- 1) Transparency of abatement and accounting;
- 2) Potentially certified by a third party against independent standards or some other form of auditing or certification;
- 3) That the abatement would not have happened without the action or investment by the proponent;
- 4) That there is an actual reduction or prevention of carbon emissions;
- 5) Permanency of abatement or a mechanism to reverse the offset;
- 6) A high level of confidence in the level of abatement claimed; and
- 7) No double-counting of the same abatement.

While the Council also recognises that offsets can produce a range of co-benefits, the Council believes that the role of the Authority is to set a standard for the integrity of the tonne of carbon abatement. It is not the role of the Authority to assess the value of co-benefits.

The Council is happy to provide further information on any of the issues raised in this submission. The Council is also happy to engage in future in any discussions on potential standards for offsets.

Kind regards,



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