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COVID-19 Response Inquiry Panel
PO Box 6021
<https://www.pmc.gov.au/covid-19-response-inquiry/consultation>

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Dear Chair

Re: COVID-19 Response Inquiry

The Australian Aluminium Council (the Council) represents Australia's bauxite mining, alumina refining, aluminium smelting and downstream processing industries.

The Council welcomes the opportunity to provide input to the COVID-19 Response Inquiry and will particularly focus on support for industry and businesses – including responding to supply chain and transport issues, addressing labour shortages, and support for specific industries. The Council also believes there is an opportunity to learn from the responses, not only to make improvements in responding to future pandemics, but which have broader application in the development of Government policy. In particular, the Council believes there are opportunities to better leverage existing vertical integration and domestic supply chains within the industry and opportunities for Australia to strengthen its domestic capabilities.

Australia's strategic advantage – integrated domestic supply chain

Aluminium is one of the commodities most widely used in the global transition to a clean energy future¹. It is also recognised for its importance to both economic development and low emissions transition. Aluminium use is highly correlated with GDP so, as countries urbanise, per capita use of aluminium increases.

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 six bauxite 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. Australia is the seventh largest producer of aluminium, with four aluminium smelters. Additional downstream processing industries include more than 20 extrusion presses, production of metal powders and aluminium coatings. Aluminium is Australia's highest earning manufacturing export. The industry directly employs more than 19,000 people, including 6,600 full-time-equivalent contractors. It also indirectly supports around 60,000 families, predominantly in regional Australia. 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.

Within the regions in which the industry operates, there is not only high-quality direct employment at mines, refineries, smelters and extruders, but also opportunities for local manufacturers to grow where the aluminium

¹ <https://www.worldbank.org/en/topic/extractiveindustries/brief/climate-smart-mining-minerals-for-climate-action>

industry provides a baseline of work. For example, Keppel Prince² 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 COVID-19 pandemic has underscored the importance of manufacturing domestically, supporting a productive and resilient economy. The COVID crisis 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 using onsite laboratories to manufacture sanitiser, using 3D printing capabilities to manufacture face shields and give instruction to others on how to do the same and provide Australian aluminium of suitable standard to be used in ventilators.

COVID Specific Supply Chain Learnings

The sector was 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 exacerbated delays and increased costs (e.g., demurrage at ports).

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 in other sectors, such as building and construction (including residential, commercial and industrial) by replacing imports 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, 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.

The Australian extrusion market in total is estimated at around 210 kt, of which around 90 kt is imported³. While Australia exports the majority of the primary aluminium it produces, around 120 kt of it is further manufactured domestically into extrusions. This is an important market for billet from Australian smelters. Every tonne of imported extrusion material impacts on Australian smelters and, ultimately, their cash margin. Australia's nine extruders have a nameplate capacity of 150 kt, however currently around 30kt is idled. Support for the Australian aluminium manufacturing sector could see a growth in domestic production; and more jobs for Australians.

It is important to recognise Australia's manufacturing sector is facing intense near-term challenges securing and maintaining internationally competitive gas and electricity contracts, mounting inflationary pressures and labour shortages. The COVID-19 pandemic and geopolitical issues have underscored the importance of manufacturing domestically, both in terms of economic and employment contribution, supporting a productive and resilient economy, and addressing supply chain challenges. This has also demonstrated the advantages of, not only the ability to value add within an almost exclusively domestic aluminium supply chain, but also the importance of local industry which provides the underpinning market for our dependent contracting and manufacturing sector. The Council believes a review of Australia's trade remedies framework, particularly the Anti-dumping area, is required to ensure aluminium extrusions are not imported at dumped pricing levels which cause material injury to the value-add Australian aluminium extrusion industry. A better framework is required to ensure free and fair trade to enable industry growth.

² <http://www.keppelprince.com/default.asp?id=1,3,0,3>

³ <https://aluminium.org.au/australian-industry/statistics-trade/>

Risks in industry supply chains

The aluminium industry is committed to strong local content, local procurement and local participation. However, supply chains must also be competitive, including for raw material supplies. Supply chains for the alumina refineries, aluminium smelters and downstream processors are highly specialised. Industry policy needs to recognise the range of critical inputs required to sustain the aluminium value chain, so that strategic risks can be assessed and mitigated. Critical value chains should be mapped as part of industry policy development, so issues can be identified in advance of a future crisis.

The strong existing vertically integrated aluminium industry, with a regional manufacturing base in Australia, enables existing industry to be leveraged to create new manufacturing opportunities. Strengthening our national manufacturing capabilities now will put Australia in the strongest possible position to meet these future forecasts for not only traditional commodities such as bauxite, alumina and aluminium, but also other emerging aluminium related commodities like high purity alumina (HPA), aluminium fluoride, aluminium alloys and aluminium salts.

While the majority of Australia's aluminium supply chain is vertically integrated, like many manufacturing processes, it relies on critical inputs including a range of feed materials, which are needed to sustain this value chain. An example is aluminium fluoride, which is essential for aluminium smelting. It is analogous to AdBlue⁴ for diesel. No aluminium fluoride is produced in Australia, so Australian aluminium smelters are entirely reliant on imported aluminium fluoride. In fact, Australia is the largest producer of primary aluminium metal that does not produce any aluminium fluoride.

ABx subsidiary ALCORE Limited (Alcore) is proposing to build a \$16.4M aluminium smelter bath recycling plant in Bell Bay, Tasmania. The plant is proposed to transform 1,600 tonnes per year of aluminium smelter bath into aluminium fluoride. The potential to establish domestic aluminium fluoride production will help protect the aluminium industry from supply chain disruption and increase Australia's manufacturing resilience and capability. This increase in the security of supply for Australian aluminium smelters will also create highly skilled manufacturing jobs, and the production of aluminium fluoride from aluminium smelter bath is an excellent illustration of the circular economy.

Jobs and Skills

Australia's existing aluminium industry is already predominantly located in regional Australia. The majority of the more than 19,000 employees live in the regions in which they work and there is often intergenerational employment at sites. There are already workforce and skills shortage across the industry and this challenge is exacerbated in regional areas.

Conclusion

Aluminium is part of a clean energy future and Australia has a central role to play in its global supply and transformation. Australia's natural and competitive strengths support the development of strategically important industries and supply chains. The Council also believes there is an opportunity to learn from the Covid-19 responses, not only to make improvements in responding to future pandemics, but which have broader application in the development of Government policy.

The Council would be happy to provide additional information on any issues raised in this submission.

Kind regards,



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⁴ <https://minister.dcceew.gov.au/bowen/media-releases/securing-supply-diesel-exhaust-fluid-keep-australia-moving>