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Department of Climate Change, Energy, the Environment and Water
https://consult.dcceew.gov.au/public-consultation-on-updates-supporting-the-implementation-of-the-safeguard-mechanism-reforms

22 January 2024

Dear Minister Bowen

Re: Response to Production Variable updates and International Best Practice Benchmarks

The Australian Aluminium Council (the Council) represents Australia's bauxite mining, alumina refining, aluminium smelting and downstream processing industries. The industry includes six bauxite mines, six alumina refineries and four aluminium smelters; in addition to downstream processing including more than 20 extrusion presses.

The Council welcomes the opportunity to provide feedback to the December 2023 package which supports the implementation of the Safeguard Mechanism. Most of Australia's large bauxite mines, all six alumina refineries plus all four aluminium smelters are covered facilities under the Safeguard Mechanism. The package of updates includes:

- remaining production variables and industry average emissions intensity values;
- update production variable definitions so they are suitable for use under the reformed scheme;
- set priority international best practice benchmarks for use by new facilities and facilities producing new products; and
- implement minor updates to the Safeguard Rule to ensure the reforms work as intended.

Of these, not all apply to the Council's members. For example, the Council recognises variables have not been set for new bauxite, alumina or aluminium industries and agrees that it is currently unlikely that new[1] Safeguard facilities will commence production in this period. The Council will limit its response to aspects of the package which impact its Members.

Exposure Draft Schedule 1, Part 26 – Electricity Generation Best Practice Emissions Intensity (EI)

The Council notes that the proposed Best Practice EI for electricity generation includes adjustments for Australian conditions and a range of fuels.

Exposure Draft Schedule 1, Part 49 – Mine Rehabilitation

In considering its response to the proposed Production Variable (PV) for Mine Rehabilitation the Council has considered the state of the Australian bauxite mining industry which includes five large and at least two small bauxite mines, plus exploration and approvals processes are also underway for at least three other potential mining operations, which the Council is aware of. These mines provide bauxite for feedstock for Australia's

[1] It is likely that there will be new bauxite mines in Australia before 2030, however, at this stage these are not expected to be Safeguard facilities.

six alumina refineries, as well as an export market. The refineries in turn supply alumina to the four Australian aluminium smelters and an export market. Australia is currently the world's largest producer of bauxite.

While the Council maintains that a declining baseline may dis-incentivise or discourage optimum rehabilitation (as acknowledged in the Department's Mine Rehabilitation Consultation paper of December 2020), we understand the difficulty in developing a limited number of EIs that that would suit all rehabilitation activities and variables.

The Council therefore supports the use of an inputs-based PV. However, the Council suggests that the wording of requirement (b)(i) is updated to better allow the variable to be used as intended. For example, the amount of rehabilitation may need to be increased to support normal operations[2] or the proportion of rehabilitation to mining will naturally increase near the end of a mine's life. Alternative wording could be "in excess of the rate during the baseline setting timeframe". For most mining PVs that would be 2012/13 to 2017/18, or prior to 2030 to take into account site specific PVs, 2017/18 to 2021/22.

This would also support rehabilitation happening during mining operations as after closure total emissions are likely to be below the 100,000 t CO_2e/year threshold, especially for grid connected facilities where electricity is not a separate PV. It is also worth noting that for remote locations where facilities generate electricity (ie as Scope 1) but are no longer operating mining / processing activities, the business case for renewable energy etc would be very different. This may impact the relative emissions profile for these facilities, compared to those which are grid connected.

The Council believes that in order for the Safeguard Mechanism to avoid unintentionally disadvantaging facilities that have properly undertaken the full scope of their rehabilitation activities, the benchmark PV should be developed to conservatively cover the broad scope of potential rehab activities. This conservatism should also extend to the decline rate.

The Council seeks a national climate and energy policy framework which is equitable, transparent, stable and predictable, while maintaining the economic health of the nation where import and export competing industries hold a vital role. The Council wishes to continue to work with the government to achieve optimal outcomes for the Australian industry, through 2030 and beyond.

Kind regards,

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[2] For example, Alcoa has committed to doubling current rehabilitation rates by 2027 to more than 1,000 hectares per annum, exceeding the rate of new clearing - alcoa-approvals-factsheet-dec-2023.pdf