Evolving carbon market linkages

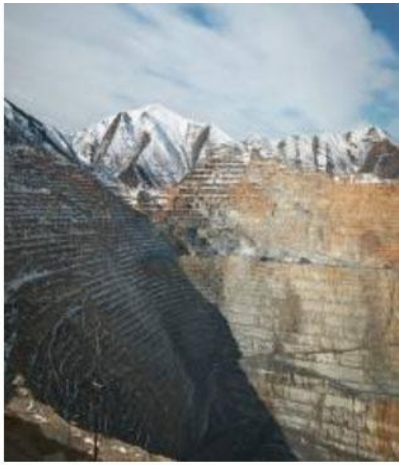
Matthew Bateson

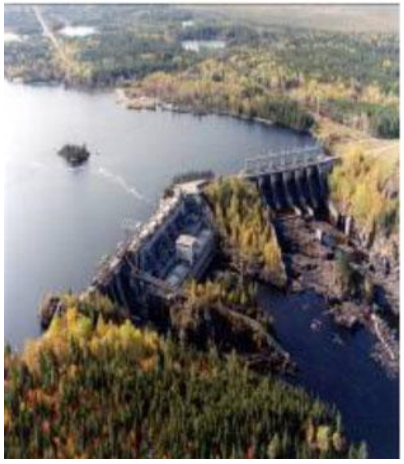
15th October, 2012



Rio Tinto - overview







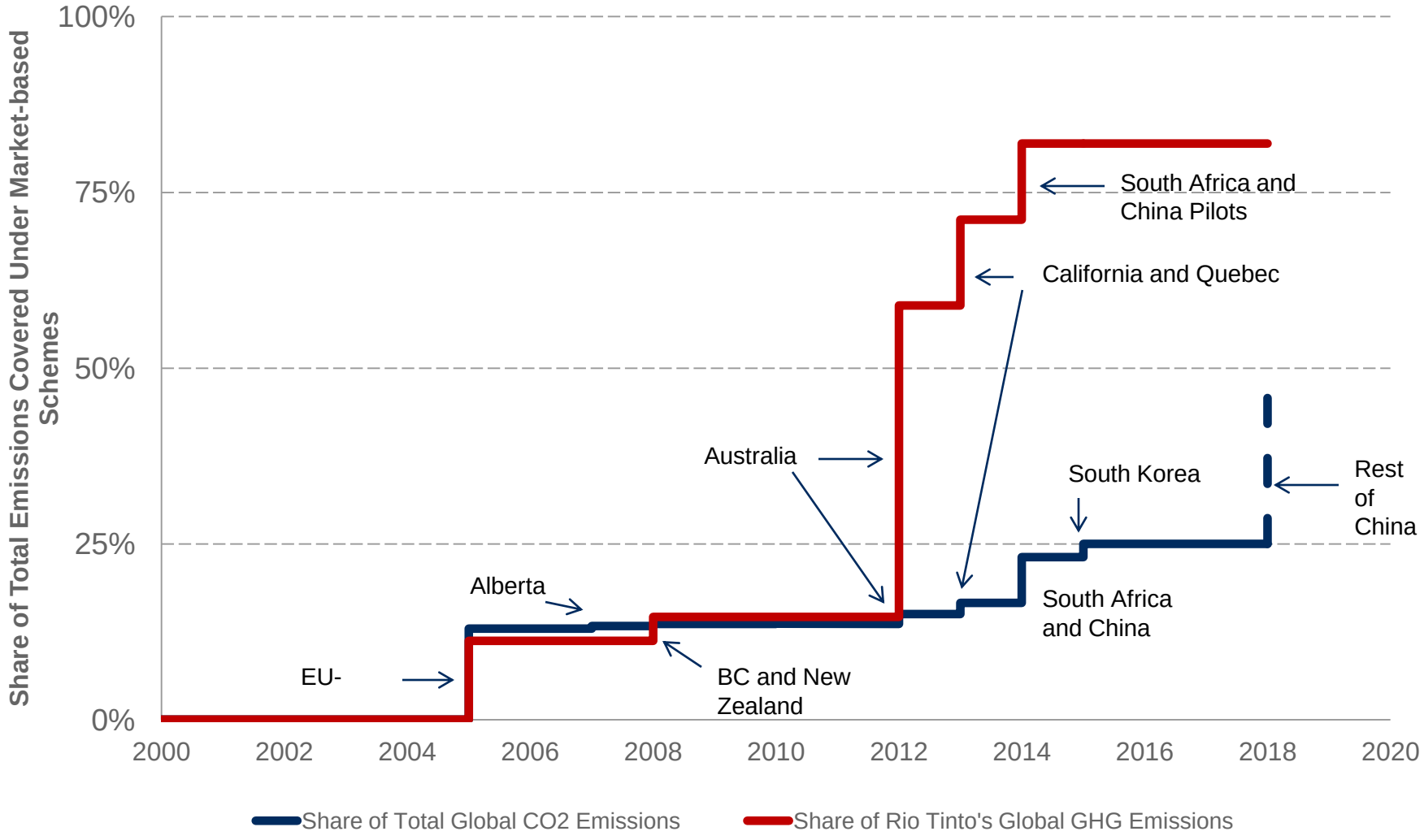


RioTinto has five principal product groups - Aluminium, Copper, Diamonds & Minerals, Energy and Iron Ore

Operations are located in 40 countries - the majority of assets are in Australia and North America, but we also operate in Europe, South America, Asia and Africa

Businesses include open pit and underground mines, mills, refineries and smelters as well as a number of research and service facilities

Rio Tinto operations in early-mover jurisdictions compared to global emissions as a whole



New carbon position – policy principles

- Recognise that climate change is largely caused by GHG emissions from **human activities**
- In lieu of an effective global regime, recognise that it will be necessary for **individual jurisdictions** to take action
- Support the use of **market-based instruments**, both within and across jurisdictions
- Avoid distortions to international trade and **competitiveness** and minimise carbon leakage and damage to the economic competitiveness of emissions intensive trade exposed industries
- **Revenue** raised from carbon pricing be used to facilitate the transition to a low carbon economy

Response to EU-Australian linkage

- Rio Tinto seeks a carbon pricing scheme that:
  - is calibrated against demonstrable international action;
  - protects the competitiveness of trade exposed industries and is linked to the carbon price seen by competitors;
- **Welcome** the move towards linking markets and the removal of proposed price floor…
- …but note that **full-linkage** could result in Australian businesses facing carbon costs driven by European social and economic circumstances rather than domestic considerations
- Continued **access to low cost international units** is an essential element of design in the Australian scheme
- With new legislation taking effect, business needs to have **confidence** in the scheme to make informed investment decisions
- Timely **consultation** with business is essential