



**ALCOA WORLD ALUMINA
AUSTRALIA**

**SUBMISSION TO THE
WA STATE SUSTAINABILITY STRATEGY**

Department of Premier and Cabinet

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Overview

Alcoa World Alumina Australia is pleased to participate in the development of the State Sustainability Strategy for Western Australia. We support the Premier's statement that the transition to a sustainable future is a long-term agenda – and one that will require a new approach to meet the environmental, social and economic improvement needs of both current and future generations. Within Alcoa, our business strategy is being set in a sustainability framework – such that we see not only the linkages between the operation of our business, the environment, society and the economy, but are committed to balancing all of these in sustaining our businesses into the future.

This submission highlights three key issues that we believe are fundamental to sustainable development in Western Australia. Firstly, that sustainability needs to address the needs of all three pillars without bias – environmental, social and economic – based on today's expectations, while maintaining a balance and the opportunity for future expectations to also be met. Further, the Strategy in Western Australia needs to be aligned with both national and international agenda to maintain industry competitiveness in the international market. Finally, the ongoing economic importance of the resources industry is critical in positioning Western Australia as an efficient and environmentally responsible producer of energy and resource based products in the global marketplace.

Our submission reflects the structure of the draft Strategy. First is a discussion on the concept of sustainability and the framework for this strategy. This is followed by specific comments on the sections of the draft Strategy of greatest significance to Alcoa – that is, governance, contribution to global sustainability, natural resources and business. These comments will have relevance to other areas of the draft Strategy as well.

We welcome the opportunity to discuss further the points made in this submission.

Background

Alcoa World Alumina Australia is a major producer of aluminium from two smelters in Victoria, and is the world's largest producer of alumina from its three refineries in Western Australia, which are supplied by two bauxite mines, based in the Darling Range of Western Australia.

Alcoa is predominantly a regional employer, with the West Australian operations principally located in the Peel Region south of Perth. Alcoa owns and operates alumina refineries at Kwinana, Pinjarra and Wagerup with a combined capacity of 7.5 million tonnes per year, which is equivalent to 15% of the world demand for alumina. Alcoa's WA Operations export alumina to aluminium smelting customers throughout the world, and supply the smelting operations in Victoria, which further support downstream processing of aluminium both in Australia and overseas.

The Alcoa workforce of some 3,700 people in WA comprises mainly professional and skilled personnel, and is drawn mainly from the regional centres of Kwinana, Rockingham, Mandurah, Pinjarra and the Waroona to Bunbury area. Alcoa's total

expenditure (including State and local government taxes) in 2001 was \$1,120 million, making Alcoa the largest single contributor to the State's turnover and one of the largest value propositions through wages, salaries and employee benefits, taxes and royalties, and wealth creation in the regional centre populations.

Sustainability Framework

For Alcoa, the framework for sustainability forms the foundation for our business strategy as a member of the global community. We have been pursuing the principles of economic sustainability for some 40 years of operation in Australia, and have, in the context of the day, incorporated the environmental and, to a lesser extent, the social expectations of the community. As these expectations have changed, we now find an increased demand to balance our economic strategy with an environmental and social strategy. In Alcoa, we are responding to this challenge by integrating environmental management and social benefits into our business strategy and performance management, for example through our 2020 vision statements for environment, and health and safety.

We do not see that the draft Strategy forms a basis for balancing sustainable development with the environmental and social considerations in the future planning of Western Australia. In particular, the draft Strategy does not recognise the ongoing need for economic development in the heavy manufacturing and resource industry sectors to continue to support the resource-based economy that currently exists. It is critical to the future growth and prosperity of Western Australia that a robust economic strategy is developed in the draft Strategy in balance with the environmental and social strategies to form three, equal pillars for sustainable development.

The framework for sustainability in the draft Strategy is outlined in a set of foundation and process principles. While these high-level principles provide an idealistic and somewhat academic vision of sustainability in Western Australia, it is difficult to see how they are connected to either the Australian or international agenda on sustainability, set by organisations of which Australia is a member country. Indeed, the draft Strategy appears in some key areas to run counter to the Australian position, including energy reform, greenhouse gas abatement policies, and economic development, which impacts on the competitiveness of our business and capital investment.

The draft Strategy also does not reflect the Plan of Implementation set out by the United Nations following the World Summit on Sustainable Development, in areas such as community health, poverty alleviation and resource use efficiency. For a global organisation such as Alcoa, with operations around the world and including in more than one State in Australia, it is vital that we are governed within a common framework of sustainability principles, while recognising the unique values of the different communities in which we operate. The draft Strategy therefore needs to address the ambitious commitments that are set by the Plan of Implementation, while being consistent with any strategies outlined by the Australian Government.

Many of the considerations in the draft Strategy are too narrowly defined and relate only to the current circumstances, and contemplation of a wider spectrum of issues

and solutions appears to have been precluded. For example, the vision for sustainability in land use planning and infrastructure is focussed on the metropolitan region of Perth, and does not give balance to the significant range of issues experienced in regional Western Australia. Further, on the issue of oil vulnerability, the proposed solution is dependent upon the development of the hydrogen economy, when in fact this may not be the only solution to transport emissions. It is critical to the success of the draft Strategy that the full range of issues and solutions are recognised, and that the Strategy is structured so that it can evolve through time to adapt to changing community expectations and needs.

Sustainability and Governance

Alcoa supports the use of one “sustainability assessment” approach for projects of major significance. The draft Strategy highlights that “*sustainability assessment is not meant to provide another set of barriers...*” It is critical to Alcoa’s future business development that the government approvals processes are transparent and predictable, and provide certainty for both ourselves as proponents and the communities in which we operate.

We believe however, that the action proposed in the draft Strategy does not deliver this outcome. In particular, the proposal to establish three separate “Sustainability Assessment Units” in three separate government departments will make the current project approvals process increasingly cumbersome, onerous and time-consuming, resulting in barriers to further economic investment in Western Australia. This change will only exacerbate the current issues in the project approvals process, which is slow and demands multiple contacts with separate, and often disconnected government agencies.

The sustainability assessment process needs to be developed by reviewing the current processes that are in place, including environmental assessment, native title and heritage considerations, cost benefit analysis and legal and regulatory obligations. In particular, Alcoa supports that the recommendations of the Keating Review now be reviewed and implemented, with a particular focus on sustainability assessment and the capacity of each of the government agencies to participate. A revised sustainability assessment process needs to be developed, which streamlines and improves the current processes by providing properly defined resources and capabilities, simplicity, certainty and transparency.

We also believe it is appropriate and beneficial for government agencies and government-based enterprises to undertake sustainability assessments of its own proposals and activities, including those which might be formed in partnership with private sector or community organisations.

The draft Strategy outlines a number of key partnerships between government and industry that focus on different elements of the sustainability agenda, such as the WA Sustainable Industries Group. Alcoa supports these partnerships, and welcomes the opportunity presented by the proposed State-Local Government Roundtable on Sustainability to develop stronger links between local and State government agencies and the regional communities in which we operate. In particular, we support the

development of a sustainability strategy for the Peel Region that reflects the role Alcoa has to play in attracting future investment while balancing our contribution to natural resource management and environmental protection, wealth creation and lifestyle improvement in the local community.

Global Contributions

Western Australia has a significant role to play in the global sustainability agenda, as the issues reach far beyond this State. In particular, the international markets, greenhouse gas emissions and biodiversity conservation are three key areas where the Western Australia Government can make a significant contribution within Australia and also work co-operatively to the development of the national position in international negotiations.

International Markets

Many of the resources, goods and services, technology and commodities that are produced in Western Australia are used and consumed in other countries. One reason for the continued economic success of industry in this State is the comparative advantages that are available to it in Western Australia, including political stability, the availability and low cost of raw materials and economies of scale in production.

For these markets to be maintained in a sustainable manner, it is imperative that the Government support open and competitive international markets in which trade is not distorted by artificial barriers such as subsidies and tariffs. While the international market issues are largely an Australian Government role, the potential impact of distorted trade markets on the exported-dependent Western Australian economy is of such significance that this must be taken into consideration in the draft Strategy.

In its current form, however, the draft Strategy does not adequately address the issue of the Western Australian Government's role in supporting the Australian government to create sustainable economic development by maintaining free trade markets with our major trading partners, particularly in South East Asia. This deficiency in the draft Strategy is particularly important for a major exporter like Alcoa, as it underpins our competitive advantage in raw materials imports, product exports and technology transfer.

Greenhouse

As the draft Strategy identifies "*Greenhouse has become perhaps the pre-eminent global sustainability issue.*" This is most significant here in Western Australia, as the gains to be made from the opportunity to be part of the global solution (for example, by providing gas to countries such as China) are offset by the need to take the associated greenhouse gas emissions to Western Australia's account under the international protocols (which contributes to the perception of Western Australia as having an unacceptable and high emission intensity). Much of this high intensity supports the manufacture of products such as alumina by Alcoa in Western Australia, that are in direct competition with products from countries that do not have emission reduction commitments. It is therefore critical that the Western Australian

Government pursue the many potential solutions to global climate change that eliminates the trade and investment distortions that exist today.

The draft Strategy addresses global climate change for Western Australia primarily by proposing a number of options for implementation that we believe are both narrow and too selective. Specifically, the draft Strategy implies that the Kyoto Protocol provides the only path for implementing the UNFCCC. However we believe that this limited option overlooks the need and opportunity for alternative and multiple approaches to achieve more comprehensive change in both the domestic and international markets. In particular, we believe the draft Strategy should address the broader role that Western Australia has to play in contributing to the Australian effort on greenhouse reduction, rather than acting separately. As a company operating in several States in Australia, we believe that a more national, coordinated approach to this global issue is far preferable to disparate State-based approaches. We believe the latter would inevitably be higher-cost, would introduce inter-state investment distortions and competitive imbalances, and result in unnecessary administrative costs (eg through duplication in reporting and verification of emissions).

While a broad range of options and actions are available to Western Australia, the draft Strategy focuses on activating only a limited number of selective, and therefore narrow, actions to address climate change. In particular, the use of carbon accounting, carbon sequestration and carbon rights accreditation to encourage alternative energy strategies is still subject to the development of robust measurement techniques, verification methodologies and international agreement (which will not be achieved until at least 2005), and ignores the wider opportunities that exist in the current innovation and technological developments.

Further, we believe that the possibility of introducing covenants (such as we have seen in Victoria), a mandated program of greenhouse offsets or any form of emissions trading or energy tax scheme may introduce further market distortions and result in discrimination and loss of competitiveness for larger projects in the international marketplace. Inevitably, this may result in inter-state competitive imbalances and a loss of investment potential for the Western Australian economy, as opportunities for investment elsewhere become more attractive. It is essential, therefore that any measures introduced to address greenhouse gas emissions are coordinated at a national level with international agreement and are not imposed by individual State jurisdictions.

Finally, the global climate change issues highlight the need for energy market reform in Western Australia. This is addressed by the draft Strategy by providing “*mechanisms in the electricity market structure for encouraging renewable energy*” and “*priority despatch for renewable energy in any trading market*”. However, Alcoa believes these actions proposed are fundamentally flawed, as they would result in discrimination and a significant distortion of the electricity market, thereby resulting in a loss of competitiveness. We believe that further efforts should concentrate on the reforming the electricity market in Western Australia to increase competitiveness, removing the barriers to alternative energy source selection and promoting the use of both cogeneration and renewable energy sources in the context of the Australian Government initiatives. We believe that energy market reform will provide a better opportunity for the development of alternative energy sources and

avoid the further transfer of capital from manufacturing companies and the broader community. Using state regulatory processes to support renewable energy opportunities will lead to increased energy costs, which affect the viability of export and import-competing industry, while not necessarily producing a net environmental or community benefit.

Biodiversity

Western Australia has a key role to play in maintaining global biodiversity values, through management of the unique landscapes and environments that support them. Alcoa has made a significant contribution to the understanding of biodiversity in Western Australia, particularly in the jarrah forests of the South West through long-term research and biological survey programmes, effective environmental management and mined land rehabilitation. We have also contributed significantly to the development of programmes to halt land degradation and Stalination through the Alcoa Landcare Project, which remains the largest corporate landcare initiative in Australia. We continue to manage our activities in the jarrah forests to world-class standards, and our contribution to conservation of biodiversity has been well recognised regionally, nationally and globally.

We believe that the draft Strategy does not adequately recognise the significant contribution industry continues to make to biodiversity conservation, by providing resources, survey data, research, coordination and management strategies. In particular, we believe the draft Strategy should identify the need for government agencies to work in partnership with industry to ensure that government and industry biodiversity programmes are complementary and do not duplicate effort or a waste of resources.

In the past, programmes and practices for conservation of biodiversity have been undertaken that are in direct conflict with those programmes being run by Alcoa, particularly in the areas of dieback management. It is critical that these activities are undertaken in partnership between Alcoa and the government, not only to ensure consistency in outcomes, but also to increase the scientific knowledge base and exchange. One example of where a partnership model could be applied is in the development of a comprehensive dieback strategy by the Government, where much of the research into management practices and ecological impacts are already in place within Alcoa.

Natural Resources

Alcoa welcomes the draft Strategy's recognition that the mining and mineral processing sector is one of the foundations of the Western Australian economy, and recognises the Government's support for the continuation of this industry. As the largest contributor to the State's turnover in 2001 (some \$1,120 million), it is clear that Alcoa's continued presence and potential growth directly affects the future of the Western Australian economy.

As well as these direct benefits, Alcoa makes a substantial contribution to the intellectual capital of the State, with development of new technology and innovation in environmental management. In particular,

- R&D facilities for Alcoa's global alumina operations are based in WA,
- We support extensive technological and environmental joint research programmes with universities, CSIRO, government agencies, Kings Park and Botanic Garden, Perth Zoo and other industry bodies and companies,
- We make an extensive contribution to education and training at all levels (Future Women of Industry, traineeships and apprenticeships, Chairs at Curtin University)
- We specifically contribute to sustainability research through support for the UNEP program in Australia, the Murdoch Environmental Technology Centre, the Chair in Cleaner Production at Curtin University, the CRC for Sustainable Resource Processing.

This research and development further contributes to the emerging role of Western Australia in the international export market for environmental technology and innovation.

Despite the importance of this industry and the wealth, innovation and new technology it generates, the draft Strategy does not address how the support for this sector will continue in the future. In particular, the draft Strategy recognises that Western Australia is currently resource intensive, but does not contemplate what mechanisms will be provided to ensure industries such as Alcoa will be able to sustain their contribution to the economic, social and environmental health of the Western Australian community in the future. For example, economic instruments to support investment in new technology solutions to overcome resource shortages (such as water) are not contemplated by the draft Strategy.

As an alternative, the draft Strategy has a focus on the development and implementation of voluntary Operating Principles, accreditation schemes and processes in the mining and minerals processing sector to support sustainability. The mining and minerals industry already has a number of voluntary codes and schemes to promote the integration of sustainability principles both across Australia and internationally, and therefore the development of a further set of Operating Principles appears somewhat superfluous. Greater value may be derived by assisting small to medium enterprises to adopt similar voluntary codes by providing resources and expertise in environmental and social planning, measurement and impact assessment.

Further, the draft Strategy outlines Sustainability Assessments and Reporting as the key indicator. While in Alcoa we view reporting as an important medium for performance management and communication with the wider community, we believe that the more tangible measures of sustainability that are available for the mining industry – such as financial contribution to environmental technology research and development, community-based employment and wealth creation, or rehabilitation of land for the community's beneficial use – are a better measure of the direct impact of the sustainability actions for this sector.

As an alternative, we believe that the draft Strategy needs to set the higher societal goals for sustainable development of the resources of Western Australia. In particular, the draft Strategy needs to address the mechanisms required to encourage further investment in new technology that would promote environmental protection and improved resource use efficiency in this sector. An important first step in this process is the participation in the Western Australia Sustainable Industries Group (WASIG). However, this now needs to be further supported by Government incentives such as industry/community partnerships, training and employment schemes and community-based environmental programmes to ensure that the advantages of improving the environmental, social and economic performance of industry are not compromised.

Business

It is clear that the draft Strategy recognises the significant contribution that industry and business has made to economic development in the past. The draft Strategy also outlines the Government's expectations for continued contributions from business to economic growth and prosperity of Western Australia in the future. However it appears that these expectations are set within a different set of operating conditions,

The draft Strategy recognises the need to change production and consumption patterns in our consumer society in order to reduce our ecological footprint in Western Australia such that our society can continue to prosper into the future. However it fails to identify any real mechanisms, programmes, targets or incentives to assist the Western Australian community to achieve real changes in resource consumption patterns which affect the 'ecological footprint'. In particular, the draft Strategy does not contemplate life cycle analysis and impact assessment as a tool for identifying and reducing the resource use cost of specific products, and assisting to identify the changes that need to be made to impact on consumer choice. For example, it is well documented that aluminium is a sustainable product with a renewable use – approximately two thirds of the aluminium produced in the world since 1886 remains in use today. In Alcoa, we are setting benchmarks in sustainability of our products – we have set a global company target that by 2020, 50% of our products (except raw ingot that we would sell to others directly), will be made from recycle aluminium.

In this context, it is also important to recognise that waste recycling and by-product options need to be sustainable choices – that is, it must remain economically more viable to recycle and reuse a product rather than to dispose of it. These choices need to be borne out with validated data, and the Government must play a key role in providing information to the community so that they may make informed choices on product re-use, recycling and substitution. The draft Strategy needs to identify not only the key role of Government in providing this information, but also a strategy for educating the community on the life cycle costs associated with product re-use, recycling and disposal.

For Alcoa, it is clear that one key to maintaining our economic sustainability in balance with the environment and our social responsibilities lies in our ability to do business on a "level playing field". In the Western Australian context, this translates to ensuring that sustainability issues of national relevance for business, such as

greenhouse and international trade market reform are managed at a national level, and that the draft Strategy has a focus on the key Western Australian issues. In particular, we believe that the draft Strategy needs to focus on key market reforms, such as energy, labour and waste transport agreements to support the viability of industry into the future.

We agree with the draft Strategy that education and training are critical to enabling the new concepts of sustainability to be more widely understood and applied in business and industry. However, we believe that the solution proposed by the draft Strategy is too narrow in scope by being restricted to only the TAFE level of training facilities. The draft Strategy needs to identify a more comprehensive education programme for sustainability, including primary and secondary school education curricula, further education programmes through facilities such as TAFE and adult learning centres and extending into tertiary education courses at all levels of university. In particular, the draft Strategy has a role to play in encouraging courses in business and management (including government in-service courses) to include sustainability in their coursework.

One of the key strategies for sustainable development highlighted by the World Summit was the need for partnerships between communities, government and business to drive sustained growth. In Alcoa we believe this is one of the fundamental principles of sustainability that will form the foundation of our relationships in the community in the future. We have experienced the success of partnerships with the community to achieve common goals – partnerships such as Landcare have delivered real benefits to both the community and our business over the long-term. We believe it is fundamental to future business growth in Western Australia that partnerships continue to be pursued in the business context. The draft Strategy however does not address the opportunities that partnerships present in the business context, rather it limits partnerships to local community members. Further consideration needs to be given in the draft Strategy to the recommendations of the UN Plan of Implementation and the outcomes of the World Summit regarding the value of partnerships between industry, governments and the community in the future.