# Investing in cheaper, cleaner energy and the net zero transformation inquiry

Questionnaire response 61

**Name:** Rio Tinto

**Submission date:** 6/06/2025

## 1. Reduce the cost of meeting carbon targets

### 1. What could be done to improve the cost-effectiveness and alignment of policies to reduce emissions across the industrial, electricity and transport sectors?

A market-based price on carbon is the most effective way to incentivise the private sector to make low-carbon investments and drive down emissions. Carbon pricing is the most effective incentive for business to reduce emissions, but may not be sufficient for hard-to-abate parts of our carbon footprint, such as process heat and carbon anodes, and remain commercially competitive in a global market.
We note the Productivity Commission's assurance that this inquiry will complement work by federal government departments and the Climate Change Authority to develop the Net Zero Plan and complete the 6 Sectoral decarbonisation plans. Completion of this work, in conjunction with extensive industry engagement, should provide a comprehensive view of how new and existing policy can drive economy-wide decarbonisation, including the transition of industries. We emphasise the importance of collaboration between departments and agencies across different policy development and reform processes, to avoid duplication of effort across government and industry and streamline implementation and compliance.

Rio Tinto requests that the Sectoral decarbonisation plans promote an orderly and efficient transition of Australia's energy system and energy-intensive industries. It is important to consider both the fundamental requirement for timely and sufficient supply of competitively priced, reliable, low carbon energy to enable the decarbonisation of our mining and manufacturing operations, as well as the significant time and investment still required to work through prevailing technological, regulatory and infrastructure-related barriers.

The ACCU Scheme
Whilst our strategic focus is on delivering emissions abatement solutions and decarbonising our operations, due to the acknowledged hard to abate nature of some operations including alumina processing, aluminium smelting and remote heavy haulage operations there will be a lag between the delivery of these solutions and the emissions reductions required under the Safeguard Mechanism (SGM) which will need to be met using Australian Carbon Credit Units (ACCUs).
It is imperative that the ACCU Scheme is conducive to the development of a liquid market of high-quality ACCUs at the scale that will be required by Australia's harder to abate sectors. This must be underpinned by transparency and the required governance to give purchasers and their stakeholders, including investors, assurance of the credibility of the credits and confidence in their use towards decarbonisation efforts.

We support the implementation of Chubb review recommendations to improve the governance, transparency and scale of the ACCU Scheme and to accelerate the development and approval of new methods to increase the supply of high-quality

ACCUs, including under the proponent-led method development approach.

Current delays to new method development such as the Integrated Farm and Land Management method, and the low volume of new projects and high integrity supply coming online has led industry analysts to forecast a shortfall in the supply of ACCUs to meet demand around 2030. Without redress, this outcome would place significant pressure on market and price dynamics.
We encourage the Productivity Commission to consider the resourcing and systems required to best support the pace needed to meet Australia's ACCU demand and also meeting the need for increased publication of data and information.

Climate-related financial disclosures
It is vital that the overall objective of climate-related policy is to support the achievement of Australia's emissions reduction commitments. We encourage a pragmatic approach that balances providing investors with key information, leveraging existing national reporting requirements where possible and aligning with existing corporate aggregation, global frameworks and standards.

Rio Tinto recognises the importance of transparency and providing key disclosures to investors and other stakeholders on how climate and sustainability-related matters impact our business, and dedicates significant resources to identifying, assessing, managing these risks and opportunities. We encourage the Productivity Commission to consider how all disclosure frameworks promote transparency of material information and risks, enable comparability, enhance competitiveness, encourage best practice adoption, and support decision-making by internal and external stakeholders. This needs to be balanced with minimising the compliance and audit burden which could divert organisational resources from the critical task of delivering emissions abatement projects.

## 2. Are there gaps in the emissions-reduction policies in the industrial, electricity and transport sectors which should be addressed?

Policies and frameworks that consistently advance Australia's climate ambition and provide certainty around the pathways to achieving Paris-aligned targets, and that reflect an orderly energy system transition and business competitiveness, will be key to increasing long-term investor confidence. Australia's renewable energy target of 82% by 2030 provides certainty that Australia is committed to a decarbonisation pathway underpinned by the development of renewable energy at scale. Future government investment and policy should consistently support rapid progress towards this target.

Large scale and capital-intensive transformation of electricity generation and transmission is required:

Capital follows the strongest investment signals and Australia's energy and industry policy signals are not currently attracting the levels of investment required to transform energy systems and underpin large scale industrial abatement. Government measures to attract rapid investment in energy transformation, including providing long-term investment underwriting, are greatly welcome and play a key role in delivering on our collective vision for the Australian economy. The expanded Capacity Investment Scheme is an important step.

The role of government investment to complement private sector investment in transforming the grid is vital to support an orderly and timely transmission and distribution network transition. The private sector can and should commit to significant investments in generation, storage and loads in electricity system, which comprise the bulk of investment required Governments could accelerate this significant private investment in renewable generation, low-carbon industries and industrial decarbonisation projects by committing to upfront funding of transmission upgrades in the state and/or national interest, noting also the social and environmental imperative to decarbonise. This funding could be recovered, if needed, from users once operating

Upfront development and construction of major transmission infrastructure is vital to enable investment decisions required to decarbonise operations and therefore underpins Australia's pathway to net zero. Requiring industry to commit to electrification investment decisions prior to the commitment to construct additional transmission capacity is a particularly onerous barrier imposed by the transmission network service providers and government action and support are required to enable investment in additional transmission capacity ahead of financial commitments by energy users.

2024-25 has seen a sustained price increase in wind projects caused partly by inflation-driven increases in labour and component costs, and partly by transmission network upgrade delays and changes in regulatory requirements, resulting in prices reflective of market risk. Competitiveness of firm renewable energy remains a challenge for hard-to-abate industries such as aluminium manufacturing despite recent price decreases for battery storage solutions - and access to globally competitive renewable energy remains the fundamental underpinning of long-term capital investment in electricity-intensive manufacturing facilities in Australia.

Australia's transition to green metals production requires a mix of policy supports targeting operating costs and capital competitiveness:

The successful establishment of a new green metals industry in Australia is reliant on the transition of existing carbon intensive industries to renewable energy to recreate a basis for long term competitive advantage. To encourage private investment and growth, the government must incentivise industry to absorb the capital charge required to establish Australia's new energy system. Government can do this by bridging the competitiveness gap that emerges between Australian production reliant on a new low carbon energy system and the subsidised fossil fuel inputs, general operating subsidies and lower overall business operating costs in global competitors.

A suite of policies is now required to support these carbon intensive businesses as they transition through to renewable energy sources, decarbonise their industrial processes and accelerate Australia's capacity to produce green metals by 2030. If successful, these policies will contribute to transforming the competitiveness of Australian energy intensive metals production for the long term.

Measures such as production credits and/or other similarly designed incentives that support production of green metal should be scaled at the level that addresses the fundamental energy cost competitiveness gap through the transition to a renewable energy system. Any production credit or incentive should be of a magnitude able to make the increased interim cost of new firmed renewable energy competitive with global

aluminium industry producers and restore Australian aluminium producers to the sustainable part of the global cost curve. Given the varying complexity and site-specific operating and commercial characteristics, this policy suite should be broad enough to support those assets which can transition economically, noting that this may not be the case industry wide. The recently announced Aluminium smelter production credit ($2 billion) is a welcome development.
Rio Tinto has engaged with the Department of Industry, Science and Resources and Treasury around the policy levers that could support decarbonisation of Australia's aluminium industry. We would welcome the opportunity to share this analysis with the Productivity Commission.

Policy support for biofuels:

Given the potential timeframes and challenges associated with large scale development and deployment of battery vehicles in some industries, government policies are needed to support market development and competitiveness of low carbon liquid fuels such as renewable diesel. We encourage the establishment of a policy environment which supports investment in the development of a strong domestic market for low carbon fuels. Alternative low carbon fuels offer significant emissions reduction opportunities across the resources, industrial, transport and agricultural sectors, as well as a range of potential economic, social, health and environmental co-benefits.

Barriers to the development of a domestic market include lack of incentives for consumers and producers, regulatory uncertainty discouraging investment in domestic production, unattractive business cases for sustainable biogenic feedstock projects, and limitations in the ability to account for emissions reductions from switching to low carbon fuels.

In other jurisdictions in which we operate, incentives have been successfully used to stimulate demand and provide regulatory certainty for parties throughout low carbon liquid fuel value chains. In North America, and other regions where subsidies and other forms of government support contribute to economically viable low carbon fuels, we can source from the market economically. As a result, in the United States we have been able to commit to replacing 11% of our global fossil diesel consumption with renewable diesel. We have successfully switched to renewable diesel at our Boron operations in California, reducing annual emissions by about 45kt CO2e, and secured supply to transition our Kennecott Copper operations in Utah in 2024, expected to reduce annual scope 1 emissions by a further 450kt. In Australia, supply is currently limited to imports at a significant cost premium to fossil diesel, and renewable diesel is therefore economically unviable for many fossil diesel users.

Support is required to encourage the production and use of renewable diesel at volume and to grow this industry in Australia. Other incentives could include financial support for R&D, pilot programs, and education and training to landowners to sustainably develop advanced biogenic feedstocks in suitable areas (potentially via the Australian Carbon Credit Units (ACCU) Scheme).

The commercial viability of developing renewable diesel feedstock could be accelerated by creating pathways for these to be recognised under the ACCU Scheme and incentivising large-scale development, while promoting lower emissions agriculture and

carbon sequestration through the planting of advanced biogenic feedstocks. This could serve the dual purpose of supporting development of Australia's biofuels industry, while expanding ACCU supply to help meet expected demand from facilities under the Safeguard Mechanism framework as structural decarbonisation solutions are developed and implemented.

3. Are there any duplicative emissions-reduction policies in the industrial, electricity and transport sectors which could be streamlined?

The participant did not respond to this question.

## 2. Speed up approvals for new energy infrastructure

1. Are planning and approvals processes for large energy infrastructure taking too long? If so, what causes the most delay?

Our roadmap includes a significant increase in electricity demand to support electrification, but the investment and deployment pathway is unclear due to risks associated with technology, infrastructure costs, land access and approvals.

Government measures to promote rapid investment in the delivery of renewable energy are welcome and signal the required commitment to decarbonise Australia's industrial sector and support future growth. The Capacity Investment Scheme, Hydrogen Headstart and support for Rewiring the Nation are positive steps. However, they represent only a portion of the investment needed to create the renewable energy market scale required to deliver globally competitive and long term advantaged renewable energy costs. It is important that the significant interventions by Government to accelerate the energy transition are not offset in their efficacy by the regulatory approval challenges or overly complex scheme design elements, application processes or compliance requirements.

Government investment in transmission and firming is needed at scale to provide certainty to the private sector around the timing of future renewable electricity supply, and to speed up associated investment in renewable energy projects and electrification initiatives. All tiers of government also have a critical enabling role in addressing constraints to execution of renewable energy projects including planning regulations, permitting processes, land access and environmental approvals. Planning systems, regulations and workforce development should be aligned with delivering the projects Australia requires at a pace which is aligned with our collective decarbonisation ambitions. Material delays in approvals and permitting for renewable energy projects and upgrading of transmission could challenge Rio Tinto and Australia's emissions reduction targets. Planning systems, regulations and workforce development must also align with delivering projects required for shared net zero ambitions.

2. How can planning and approvals processes be sped up without unduly compromising regulatory standards?

Rio Tinto is committed to decarbonising its operations, and actions by governments to streamline approvals and permitting for renewable energy projects and transmission upgrades would enable timely private investment, more rapid deployment and associated earlier emissions reductions.

Each party within the market has a specific and complementary role that needs to be

played to achieve energy system transformation. Governments are uniquely placed to lead investment given ultra long investment horizons, supportive balance sheets and the ability to effect the required permitting and land access required in large-scale, long-life projects such as transmission infrastructure and low carbon 'system reserve' firming.

3. Should clean energy projects be treated differently to other projects for the purpose of environmental and other approvals? If so, how?

   The participant did not respond to this question.

4. What can be done to build local community support for new energy infrastructure projects?

   The participant did not respond to this question.

5. Please outline any evidence showing the productivity benefits of faster approvals for energy projects.

   The participant did not respond to this question.

## 3. Encourage adaptation by addressing barriers to private investment

1. What are the barriers and enablers impacting decisions by owner-occupiers, landlords and developers about how housing is built and updated over time so that it is resilient to the effects of climate change?

   The participant did not respond to this question.

2. What information do people need to make decisions about where to live, how to build and how to upgrade their homes to appropriately factor in climate change?

   The participant did not respond to this question.

3. What are the most cost-effective retrofitting options for improving the resilience of Australia's existing housing stock? What are their costs and benefits?

   The participant did not respond to this question.

4. What role might minimum standards play in ensuring the resilience of Australia's housing stock?

   The participant did not respond to this question.

5. The impacts of climate change are being factored into the regulation of where and how houses are built in different ways around Australia. What does leading practice look like? Where is there room for improvement? Are there lessons we can learn from other countries?

   The participant did not respond to this question.