

Australian Government
Department of Climate Change, Energy, the Environment and Water

Submission via the Department's Consultation Hub

30 August 2023

RE: Capacity Investment Scheme consultation

Rio Tinto welcomes the opportunity to make a submission to the Department of Climate Change, Energy, the Environment and Water (the **Department**) regarding the proposed approach and design of the Capacity Investment Scheme (**CIS**).

Rio Tinto acknowledges that we have an important role to play in driving forward the energy transition. We have committed to decarbonising our assets by reducing our Scope 1 & 2 emissions to net zero by 2050. The successful reduction of emissions from our Australian assets, particularly our Aluminium operations, relies heavily on the availability of large-scale, competitive, firming, renewable energy, and this requires significant investment to substantially increase the availability (and decrease the cost to customers) of low carbon firming sources in the Australian energy market. Access to globally competitive firming will be the fundamental underpinning of long-term capital investment in electricity-intensive manufacturing facilities in Australia. As Australia's largest electricity consumer, our outlook on the market suggests that the cost of firming is the largest differentiator of Australia's competitiveness for electricity-intensive industries such as manufacturing globally.

Government measures to promote rapid investment in this critical area by providing long term investment underwriting are greatly welcome and will play a critical role in delivering on our collective vision for the Australian economy. However, although the CIS plan to deliver 6GW of clean dispatchable capacity by 2030 is a positive first step, it will require expansion by at least another order of magnitude to underpin the decarbonisation of existing industrial facilities whilst supporting future growth.

The consultation paper appears to focus delivery of energy via the scheme through technology that is available and mature today. Whilst this will help fast track delivery, we believe that there is also a role for the CIS to promote innovation and investment in new low carbon firming technologies. Such technologies could deliver a significantly lower cost outcome to both the Government, as the underwriter of the scheme, and to end customers. This is particularly important for longer duration forms of energy storage, where mature technologies today (e.g. pumped hydro) are risky, prone to cost overruns and have long lead times. We encourage the Department to consider how the CIS could be designed to support the delivery of novel technologies, including a specific allocation within the scheme for novel or new technologies. Ensuring a diverse technology mix within Australia's energy market could improve efficiency and reduce costs over time supporting the competitiveness of Australian energy intensive manufacturing industries. Further, as an investor and a customer in the energy system, we believe that the Department could maximise the impact of the CIS by looking to successful schemes in other jurisdictions which include pricing mechanisms that enable efficient business decision-making and capital deployment.

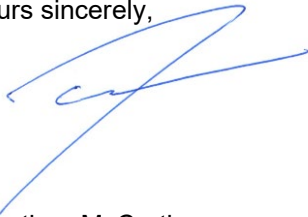
In addition to the proposed considerations of scale, technology diversification and simplicity in financial incentives, we encourage the Department to consider mechanisms in the CIS that support provision of lowest cost firming to volatility sensitive industrial customers. Mechanisms that provide reliable pricing, supporting the

contracting approaches typically employed by large industrial loads, would benefit both industrial customers and the energy market as a whole via the elimination of uncertainty with regard to the long-term sustainability of large loads in the system. This additional criterion would go a long way to supporting both the future competitiveness of existing electricity intensive manufacturing facilities and investment in new facilities.

We thank the Department for the opportunity to engage on the proposed design and approach of the CIS, which is important to maintaining competitive manufacturing and mining industries in Australia as the energy transition progresses. We look forward to continuing to work together with government and energy suppliers to create a competitive, renewable energy system for Australia.

We would welcome the opportunity to discuss this submission with you further. In the interim, if you have any questions, please contact Rachel Storrs (Rachel.storrs@riotinto.com).

Yours sincerely,



Jonathon McCarthy
Chief decarbonisation officer