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Addressing present challenges through partnership

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To the Australians in the audience I'd like to say it feels very good to be back in this wonderful city of Perth and Western Australia.

It feels particularly good to be in a State that is doing so well and where mining contributes so much to its people's prosperity.

Today I would like to talk to you about the importance of partnerships between Government and the private sector in addressing present challenges such as climate change.

I will do so from the perspective of the company I lead, Anglo American, one of the world's largest diversified mining companies and a major coal producer, including here in Australia.

Anglo American operates on six continents, with around 90 per cent of our operations in emerging countries.

We are focused on iron ore, metallurgical and thermal coal, copper, nickel, platinum and diamonds.

We employ around 150,000 people, including contractors, and we have a current market capitalisation of around \$50 billion.

Throughout its 94 year history Anglo American has seen itself as playing an active and progressive role in society.

In South Africa, where we have our roots and still a very significant presence, we were in the vanguard of business's opposition to *apartheid* and we were the first company to recognise black trade unions.

Today we lead the fight against HIV/AIDS in the workplace and we have pioneered an enterprise development programme in South Africa that has created 18,000 new jobs.

We have taken the programme globally to the parts of the world in which we operate including Chile where the programme has supports 7,000 jobs in Chile, Brazil and Peru.

The Tripartite Safety Initiative, which is an alliance of business, Government and labour initiated by Anglo American, again in South Africa, has been working together to improve safety in the mining industry.

The outcome of this partnership is a significant reduction in serious mine incidents and fatalities over the past four years.

These achievements are not ours alone, they are the result of years of collaboration and partnership with our workers, local communities, trade unions and all levels of Government.

Had we not come together with our partners and worked through tough issues in good faith, we would not see the results we are witnessing today across the communities and countries in which we operate.

So that is our history... and we can learn from it and show how our partnership approach can create a new way for the future.

We start from the reality that mining is the lifeblood of the 21st century.

Thanks to what mining produces, hundreds of millions of people across East Asia, Latin America, India, Africa and other nations of the Commonwealth are lifting themselves out of poverty and can aspire to a decent standard of living because they can access education, jobs and the basic necessities of life such as clean water and affordable electricity.

Without mining there are no mobile phones, no flat-screen TVs, no computers, no wind turbines, no solar panels, and no electric cars.

The commodities we produce enable green technologies.

If you drive a hybrid car, it will contain at least 40 kilograms of copper.

And 95 per cent of the world's new cars will have a platinum-based autocatalyst to capture noxious gases.

Mining makes a huge contribution to the economies of resource producing countries.

As an industry, mining constitutes 8.6 per cent of South Africa's GDP, 7.8 per cent of Australia's and 19.2 per cent of Chile's.

In the case of a developed nation like Australia, in 2010 we paid \$555 million in taxes to Government, of which \$235 million were company tax and \$236 million royalties to the States of Queensland and New South Wales to help fund schools, hospitals and roads.

In addition we paid more than \$950 million in salaries to more than 6,500 employees and contractors.

Over the next eight years we plan to invest around \$15 billion in Australia on new mines and infrastructure projects creating more than 3,200 jobs.

So Government should be a critical enabler in helping maintain the domestic and international competitiveness of the mining industry and its ability to generate socio-economic value and create jobs.

We all recognise there are limits to what Governments, and what we as miners, can do alone.

We need to forge genuine, lasting partnerships that deliver solutions to transition the mining industry, in a cost effective way, to a clean-energy future.

At Anglo American, we want to reduce our impact on the environment and help to mitigate the effects of climate change.

We have invested hundreds of millions of dollars in recent years to abate carbon emissions.

In Queensland, we are using methane from our coal mines to generate enough electricity to power 48,000 homes, delivering carbon emissions reduction equivalent to taking around 500,000 cars off the road.

This is just one example and there is so much more to be done.

Collective action is what is required, where Governments, industry and other stakeholders come together to find a better way of reducing carbon emissions.

We look to Governments to establish rules of the game that are predictable, transparent and consistent.

Furthermore, changes in rules, regulations and taxation policies should not be retrospective.

Climate change policy is no different.

Governments should provide clear policies for a predictable, measured transition to a long-term price on carbon emissions, ensuring that any revenues generated are used to help the move to a low-carbon future and do not put at risk investment and jobs.

That is why we have been engaging with Governments on carbon abatement, and working together with our industry peers and other stakeholders to put forward a better way of transitioning to a low carbon future.

In South Africa, where the ambition is to cut CO₂ emissions by 34 per cent over the next decade, there has been extensive and meaningful consultation between Government and the mining industry on mitigating climate change.

We have been active participants in this process, engaging with the Government on the facts and policy instruments required for a robust climate change policy.

The process works because the Government and industry have a common goal of reducing carbon emissions.

The mining industry has established a Task Team on Climate Change as an important first step in engaging with the South African Treasury on developing a pricing mechanism for carbon.

Its aim is to help construct a stable, effective regulatory framework to reduce carbon emissions and to assist South Africa in becoming a global leader by offering a model of co-operative climate action between industry and Government.

South Africa's balanced approach is broad based and holistic.

It does not rely on carbon pricing as the single answer and instead supports a trade –off between least cost investment in carbon reduction, local job creation, regional development creation, diversity of energy sources and energy efficiency.

The approach encourages companies to invest in reducing emissions rather than penalising them with a tax.

One example of the South African approach is the planned construction of a solar energy park next to one of our iron ore mines near the Kalahari Desert.

This will be a partnership between industry and Government to invest more than \$600 million.

Once completed, the park is expected to produce enough electricity to power some 200,000 homes.

This is the sensible way to approach things: constructive dialogue, a Government showing its willingness to engage with the mining industry on the Treasury's carbon tax discussion paper.

Importantly, it locks in industry's commitment to making a significant contribution to the development of climate policy and any accompanying carbon price system.

Partnerships and engagement work.

Where two-way dialogue on such critical issues does not happen – where a listening exercise replaces true consultation and discussion – we see divisions between Government and industry, with the result being policies that destroy jobs and encourage investors to go elsewhere without delivering the desired objective.

For example, Australia's carbon pricing mechanism penalises the mining industry, particularly the coal industry, for problems that are not within its technological capability to solve in the short term.

A case in point is our inability to capture fugitive greenhouse gas emissions from our open cut and underground coal mines in Queensland and New South Wales.

Technology for abating these fugitive emissions is at least 10 years away and requires hundreds of millions of dollars to research, trial and implement safely.

We believe Governments should be creating stable long-term regulatory frameworks that encourage investment in carbon-mitigation technologies, and seek to bring forward the development of new abatement technologies, not adding a cost that diverts resources from this objective.

This approach creates instability and discourages investment.

My friend Andrew Liveris, the Australian-born Chief Executive of Dow Chemical and co-chairman of US President Barack Obama's Advanced Manufacturing Partnership put it this way recently -

The proposed carbon tax is a "short-term fix", "unwise" and "ill-timed".

With that in mind, the aim of any climate change policy must be to change behaviours to reduce carbon emissions.

This behavioural change must be achievable.

But if it comes at the expense of jobs and competitiveness or if it hampers the ability of people in developing and developed countries to improve their quality of life, it will not be successful or sustainable.

We want to work in partnership with Governments to set the frameworks that make global action on climate change possible.

Crucially, this needs to be done through meaningful consultation and compromise with all stakeholders.

Australia's former Treasury Secretary, Ken Henry, said recently: "Good policy outcomes are more likely where there has been high-quality debate."

I couldn't agree more.

Thank you.