

4th February 2002

News release

US Steel – PM should look to own backyard

Prime Minister Howard's pleas to the US Government to exempt Australia from tariffs on steel exports are unlikely to be taken seriously while Australia continues to provide huge subsidies to its aluminium exports, according to The Australia Institute.

A report released over the weekend by the Institute concludes that Australian consumers are subsidising the industry to the tune of \$250 million per annum through cheap electricity.

Australia exports around 80 per cent of aluminium production and is the world's third largest exporter.

Commenting on the report, Australia Institute Director Dr Clive Hamilton said the study exposes the extent of corporate welfare for the aluminium industry.

"Subsidies to the smelting industry provide aluminium exports with a 5-10 per cent price advantage. We believe that they may be actionable under Article 7 of the WTO Agreement on Subsidies and Countervailing Measures."

The report, by Institute Research Fellow Hal Turton, notes that there is a precedent for such action. In 1993 the USA took trade action against Canada over a magnesium smelting operation that benefited from subsidised electricity provided by Hydro-Quebec.

"Aluminium companies have played off state governments against each other with promises of regional job generation." Dr Hamilton said. "Subsidies in the form of cheap electricity amount to \$40,000 per smelter employee, which of course is paid for by the ordinary consumer. For that money, many more jobs could be provided in other industries."

Dr Hamilton said the report reveals that Australia's smelters, which account for 6 per cent of Australia's total greenhouse gas emissions, produce two and a half times the world average of greenhouse gases per tonne of aluminium produced. He said the report showed that the industry's repeated threats to go offshore if Australia adopted more stringent greenhouse gas abatement policies were hollow.

"However, if the industry were to relocate, the global environment would benefit," he said. "Because Australian production is so greenhouse gas intensive, relocation to other parts of the world, where the smelters are not so reliant on coal-fired power stations, would reduce global emissions considerably."

For emailed copies of the report please phone or send an email to exec@tai.org.au.

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