

**Written Testimony of Preston Chiaro
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**Before the House Committee on Energy and Commerce
The U.S. Climate Action Partnership**

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Chairman Waxman, Congressman Barton and members of the House Energy and Commerce Committee, thank you for the invitation to present testimony on the subject of the U.S. Climate Action Partnership and climate change policy.

I am the Chief executive Energy and Minerals for Rio Tinto, a major mining company with operations and markets worldwide, [NYSE: RTP].¹ Rio Tinto's business is finding, mining, and processing mineral resources. Major products are aluminum, copper, diamonds, energy (coal and uranium), gold, industrial minerals (borax, titanium dioxide, salt, talc) and iron ore. In the US, we have operations and projects in: Arizona, California, Colorado, Kentucky, Montana, Texas, Utah and Wyoming.

Wherever Rio Tinto operates, the health and safety of our employees is the first priority. The Group seeks to contribute to society's transition to sustainable development. It works as closely as possible with host countries and communities, respecting their laws and customs and ensuring fair sharing of benefits and opportunities.

¹ Rio Tinto is headquartered in the UK, combining Rio Tinto plc, a London listed company, and Rio Tinto Limited, which is listed on the Australian Securities Exchange.

As an international producer of minerals and metals, climate change and energy issues are critical to our business. We are the second largest coal producer in the US and the world's second largest producer of uranium for nuclear power generation; Rio Tinto's coal and uranium together provide the fuel for approximately nine percent of the nation's electricity generation. While some of our metals and minerals production activities are energy-intensive, they contribute products critical to energy efficiency and minimizing carbon emissions, such as copper for hybrid cars and electrification and industrial minerals used to manufacture fiberglass.

Rio Tinto supports enactment of a comprehensive climate change policy incorporating a cap-and-trade program at the national level that will eventually link to an integrated international program. Several key considerations in climate policy that are particularly important to Rio Tinto include, but are not limited to, cost containment, incentives and funding for technology development and deployment, and measures to minimize competitive disadvantage to energy and emissions intensive industries that are particularly susceptible to international competition.

Rio Tinto believes that broad international participation and cooperation are necessary to stabilize atmospheric concentrations of greenhouse gases. Nevertheless, it is entirely appropriate for the United States to take a leadership role in addressing climate change, particularly with respect to the development of low-emitting technologies which can enable widespread, cost-effective emissions

abatement. The accelerated development and subsequent transfer of low-emitting and abatement technologies to other nations can ultimately assist both developed and developing countries to manage their own greenhouse gas emissions.

Over the long-term, the U.S. and the world will require a broad portfolio of policy and technology options. This should include policies to promote energy efficiency, as well as the development and deployment of low or zero carbon energy sources, and the development, demonstration and deployment of carbon capture and storage technology (CCS) for all fossil fuels.

Rio Tinto believes the key to unlocking an environmentally friendly future for all fossil fuels is CCS. As such, the creation of a supportive regulatory environment will be necessary to encourage the rapid and widespread adoption of CCS. The success of CCS will depend on its widespread application, public acceptance and rapid commercialization. Society's ability to significantly reduce greenhouse gas emissions is directly linked to the speed with which CCS technologies can be deployed. Policies that accelerate their development and deployment are absolutely essential. This will include adequate incentives and public funding to demonstrate and deploy a substantial amount of CCS to help overcome the high cost of early demonstration plants.

Managing the transition and costs of climate policy are important to sustaining the effectiveness of the program. Until such time as there is a global approach to addressing climate change, a US climate program must include

measures that minimize the competitive disadvantage for energy-intensive trade exposed industries and to avoid migration of industrial emissions to unregulated countries. A legislatively-created cap-and-trade program allows for the introduction of measures such as targeted allowance value allocations that can ease the transition of energy-intensive industries into a global carbon constrained economy, as well as provide time and resources for the development of new technologies.

USCAP launched its landmark report, *A Call for Action*², in January 2007. It lays out a framework for climate protection legislation. Rio Tinto joined USCAP in September 2007 because the organization's principles and recommendations are consistent with those of Rio Tinto. USCAP has provided a valuable opportunity to work with its members to recommend comprehensive policy approaches for addressing climate change that recognize the long-term challenges and the need for new technologies in addition to market approaches. Today USCAP includes 31 businesses and leading environmental organizations.³

² *A Call for Action* available at: <http://us-cap.org/USCAPCallforAction.pdf>.

³ The current members of USCAP are: Alcoa; American International Group, Inc.; Boston Scientific Corporation; BP America, Inc.; Caterpillar Inc.; Chrysler LLC; ConocoPhillips; Deere & Co.; Dow Chemical Company; Duke Energy; DuPont; Environmental Defense Fund; Exelon Corporation; Ford Motor Company; FPL Group; General Electric; General Motors Corporation; Johnson & Johnson; Marsh, Inc.; Natural Resources Defense Council; NRG Energy; PepsiCo North America; Pew Center on Global Climate Change; PG&E Corporation; PNM Resources; Rio Tinto; Shell Oil Company; Siemens Corporation; The Nature Conservancy; World Resources Institute; and Xerox Corporation.

We support enactment of an economy-wide, market-driven approach that includes a well-crafted cap-and-trade program placing specified limits on GHG emissions, along with robust cost-containment measures, complementary policies and measures to supplement the cap-and-trade program, and a fully funded federal technology research, development, demonstration, and deployment program for climate-friendly technologies. USCAP recognizes that the United States faces an urgent need to reinvigorate our nation's economy, make the country more energy secure, and take meaningful action to slow, stop and reverse GHG emissions to address climate change. Properly designed legislation will encourage innovation, enhance America's energy security, foster economic growth, improve our balance of trade, and provide critically needed U.S. leadership on this vital global challenge.

We recognize the challenge facing this Committee in crafting comprehensive climate change legislation and we very much hope that the Committee will call on our unique partnership to help sort through these complexities. The need to begin the transformation of our economy to a sustainable, secure, low-carbon future is compelling and timely; indeed, this will only become more difficult, and more costly, if Congress delays action.

USCAP has attempted to help inform congressional deliberations over the past two years. Following our *Call for Action*, we have provided Congress with international principles and more detailed information on the topics of cost containment, energy efficiency, geologic carbon storage technologies and a

greenhouse gas registry. Further, our diverse and broad-based coalition has and will continue to serve as a sounding board for policy-makers as they contemplate legislative options.

Over the past six months, USCAP members have worked diligently to refine our policy objectives in order to better advise Congress and the incoming Administration on workable solutions. We have agreed on a framework for a balanced and integrated approach to key linked issues that must be addressed in any national climate legislation.

USCAP is committed to helping Congress find workable, cost-effective approaches to climate change. We believe that such a path forward exists and that we must embark on the journey with deliberate speed. Representing many sectors of the economy, we believe we are in a unique position to work with the President-elect, Congress and all other stakeholders to enact an environmentally effective, economically sustainable and fair climate change program.

Again, thank you for the opportunity to provide testimony. We look forward to working with the Committee, Congress and the incoming Administration on these important issues and prompt enactment of national climate legislation.