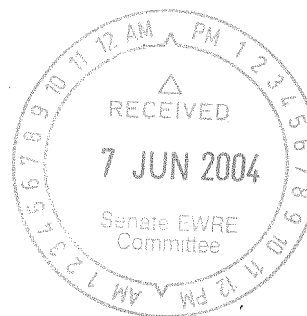


RIO TINTO

Brian Horwood
Managing Director - Australia



20 November 2002

Dear Business Council member,

A memorandum has been circulated to members of the Business Council that purports to inform you of the finalisation of the council's greenhouse position. The memo seeks to establish a basis for the council to reverse itself - that is, to support immediate ratification of the Kyoto Protocol and to repudiate the Australian Government's international greenhouse policy.

This memo purports to put the view of Business Council members in relation to the Kyoto Protocol in the absence of proper analysis or understanding of the impact on the Australian economy. The reasons for the course of action recommended have not been defined, nor tested among the membership. "Discussions" between the Task Force chairman and unidentified "members" do not constitute a proper proposal and debate of this most important issue.

Members are reminded of the Business Council's policy position of 8 February 2002, which stated in part:

"Active reduction of emissions by all major greenhouse gas emitting countries is essential to effectively address the global climate change problem and to minimise distortions to world trade. To maximise a positive environmental and economic outcome in the long term the Government will need to continue to work in international climate change negotiations to ensure that:

- future processes result in global greenhouse gas reduction.
- the United States participates in global efforts to reduce emissions.
- mechanisms to prevent 'emission leakage' (offsetting apparent reductions) are pursued and developing countries take on commitments.
- any associated compliance regime does not impinge on national sovereignty.

Before taking a decision on ratification of the Kyoto Protocol the above matters need to be resolved satisfactorily and their implications fully assessed with respect to Australia's economic, social and environmental well being."

Nothing has changed to alter that stance. None of the issues listed in that statement has been resolved, even in part, and their implications continue to receive the most intense analysis and assessment. We have not fulfilled the conditions we imposed on ourselves just nine months ago to justify a policy change, let alone a reversal.

Credible Australian studies indicate that accession to the Kyoto Protocol may result in measures damaging to the Australian economy through the costs imposed on our energy-intensive export industries and through the loss of potential investment to non-Kyoto countries. These potential costs remain valid. They have not diminished in nine months.

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