Rio Tinto's Submission on UT5 Volume Forecasts

Table 43 Aurizon Network's 2017 DAU—volume forecasts by system (million tonnes)

System	2017–18	2018–19	2019–20	2020–21
Blackwater	69.9	71.3	71.3	71.3
Goonyella	120.3	120.3	120.3	120.3
Moura	10.2	10.2	10.2	10.2
Newlands (excluding GAPE)	9.2	9.2	9.2	9.2
GAPE	16.2	17.5	17.5	17.5
Total	**225.7**	228.4	228.4	228.4

Table 44 QCA draft decision—volume forecasts by system (million tonnes)

System	2017–18	2018–19	2019–20	2020–21
Blackwater	59.38	60.58	61.58	61.58
Goonyella	124.75	128.45	130.25	130.25
Moura	14.30	17.50	18.50	18.50
Newlands (excluding GAPE)	11.70	14.20	14.20	14.20
GAPE	16.15	19.15	24.15	29.15
WIRP	10.10	10.30	10.60	10.60
Total	**236.4**	**250.2**	**259.3**	**264.3**

RMI GAPE forecasts raises issues around the forecast process:

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forecast   leaves an optimistic 17.5Mtpa (100% of the contract balance) of throughput through GAPE for the undertaking period.

Cross referencing data sets   - the way ahead

Rio understandably is not able to comment on the validity of the confidential appendices. However it can comment on the RMI forecast process and raise questions around how this data was derived - this goes to the validity of the data.

In terms of GAPE forecasts, Aurizon Network and Rio have discussed forecast volumes for this period.

No one from Resource Management International (RMI) has consulted with either ourselves or our service providers on our volume forecasts in any supply chain.

RMI appear to have utilised publically available information on expansion projects without cross referencing whether these projects are supported by contracted capacity. Further no risk weighting on these projects appears to have been applied.

DBCT Expected Profile (Mtpa)
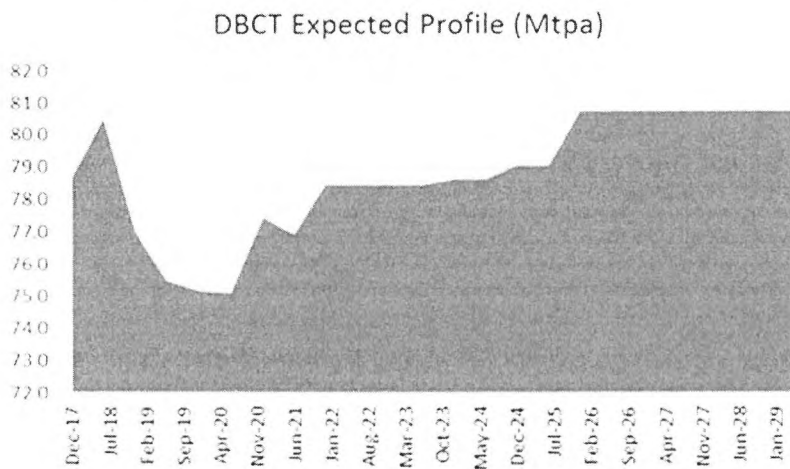
RMI appear to have overlooked any discussion around the ramping down of mine production at the end of mine life.   Peabody have identified in their publically available 2017 – 2021 annual plan their Met Coal position (Goonyella /DBCT) is reducing from 15Mtpa to 7Mtpa. Glencore's Oaky Creek complex servicing the Goonyella is coming to its end of productive life in the early 2020s.

DBCTM view is that volumes for the foreseeable future are likely to remain in the low 70's – noting in the chart above the contracted position is ramping down to 75Mtpa in the short term . HPS have nudged 49Mtpa in their best year. This together would suggest that Network's 120Mtpa forecast for the Goonyella for the undertaking period seems justifiable. I would encourage the QCA to confirm this view with DBCTM.

Gladstone Port Corporation quarterly forums suggest the total throughput through WIRP, Blackwater and Moura will remain stagnant over the access undertaking and is more aligned with Aurizon Network's view in terms of total volume. I would encourage the QCA to confirm this view with GPC.

Going ahead Rio's preferred position is that any system forecast should cross reference the following in order to come to a more considered view -

- Confirm Forecast tonnes + project tonnes with producers
  - Discount either in time or volume project tonnes based upon the absence of binding ToP contracts
- Confirm contracted tonnes + forecast tonnes with port
  - Discount either in time or volume project tonnes based upon the absence of binding ToP contracts
- Confirm contracted tonnes + forecast tonnes with track
  - Discount either in time or volume project tonnes based upon the absence of binding ToP contracts
- Confirm system capability with integrated logistic groups operating within the supply chains

In the interim, Rio is of the view that Network's view of system forecasts accords more with a considered view of the contracted position, an understanding of system capability and an understanding of production outcomes

Ian Gibbons

Rio Tinto