Tiwi Point smelter closure: Meridian Energy meets with investors

1:59 pm on 10 July 2020

Meridian Energy has met with investors today after yesterday's bombshell notice by Rio Tinto that the Tiwi Point aluminium smelter would close next year.

Rio Tinto announced yesterday it would close the smelter (https://www.rnz.co.nz/news/business/420817/rio-tinto-announces-plans-to-close-tiwi-point-smelter), following a review which concluded the business was no longer viable given high energy costs and a challenging outlook for the aluminium industry.

Meridian Energy chief executive Neal Barclay said there had been a good package for the smelter on the table.
"It was a four-year commitment to term, it had some reduced rates, it had a demand response premium ... and more recently the industry came together and we were able to add in a transmission underwrite.

"The total value of that package was $50 million, increasing to mid-sixties close to $70 million over the next couple of three years.

"We haven't been tinkering around the edges ... it was a meaningful offer."


He said if Rio Tinto had agreed to a 10-year term contract, it could have put together an offer that would have got it "a long way" to their ask of a third off.

"Clearly from our perspective, there's bigger issues at play in regard to the overall Rio Tinto portfolio ... it is what it is."

Barclay said as far as the company's communications with Rio Tinto, the exit was a done deal, and if it was a negotiating tactic, it was "pretty cynical".

Chief financial officer Mike Roan said it would now look to a future without the smelter, and would first and foremost support Transpower's Clutha to Upper Waitaki lines project.

The project is on track for completion in June 2023

Roan said the next challenge was the constraint in the North Island reserve market, as opposed to transmission capacity on the link between the top of the South Island and the North Island [HPDC link].

"We don't see the HPDC constraint as necessarily being that big a challenge but we will encourage them to do that work."

Barclay said while the exit was not the outcome it wanted, Meridian would be a stronger company in the medium to long term.