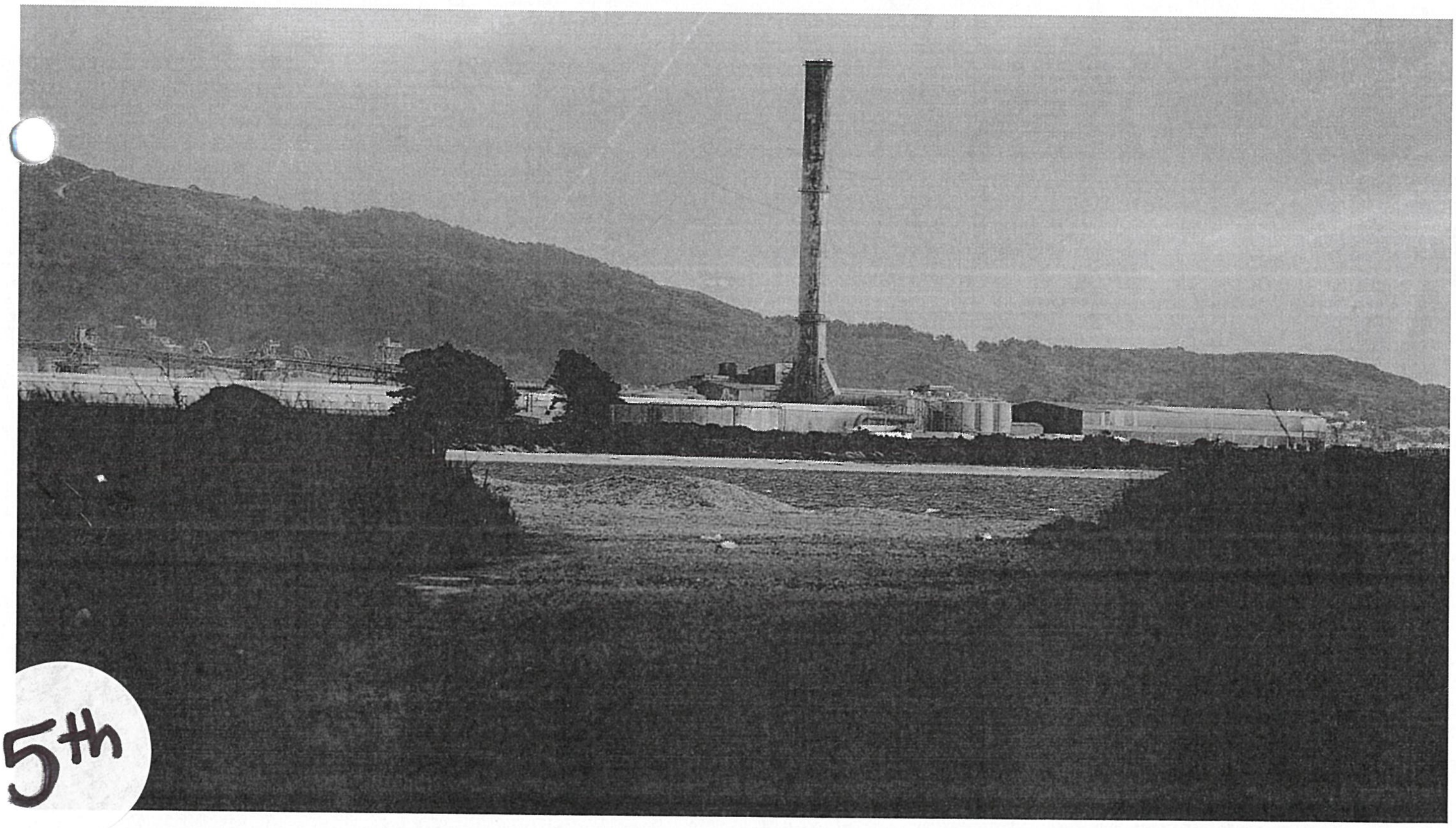
(Pullar-Strecker, T., 2023b)

Rio Tinto signals no election games over aluminium smelter

Tom Pullar-Strecker · 05:00, Aug 06 2023



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power firms.

Mining giant Rio Tinto and the Government appear determined to avoid the fate of the aluminium smelter near Bluff becoming an election football, despite the uncertainty still hanging over the big employer.

Rio Tinto, which is the majority owner of the smelter, has provided an assurance that it won't attempt to use the election on October 14 to pressure any of the parties it is negotiating with to a reach a deal that would secure the smelter's future.

Energy Minister Megan Woods has meanwhile made it clear that the Government wouldn't respond to any such pressure anyway.

The aluminium smelter appears likely to have to close by the end of next year if it can't strike a new long-term power-supply agreement in advance of that with majority state-owned company Meridian Energy and other generators.

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Rio Tinto spokesperson Simon King said it was continuing to work closely with "generators, Ngāi Tahu, and the community to secure a future for the smelter beyond 2024".

"We want to secure a commercial outcome that allows the smelter to be sustainable throughout the commodity cycle, drives investment in new renewable generation and plays its part in the broader energy market by providing more flexible demand response when needed," he said.

KAVINDA HERATH / STUFF

The aluminium smelter was on the election circuit in 2020 when NZ First leader Winston Peters dropped in to tell workers he believed it could stay open for another "two decades".

King said the company was aware the smelter's staff, who number about 700, Southland, and energy markets were all "looking for certainty".

But the election was "not a factor in our discussions", he said.

"We will announce an outcome as soon as we can, irrespective of when that is."

During a panel debate between politicians on their parties' energy policies last week, Woods rejected the suggestion that the smelter might be able to use the election put the squeeze on the Government to facilitate an agreement.

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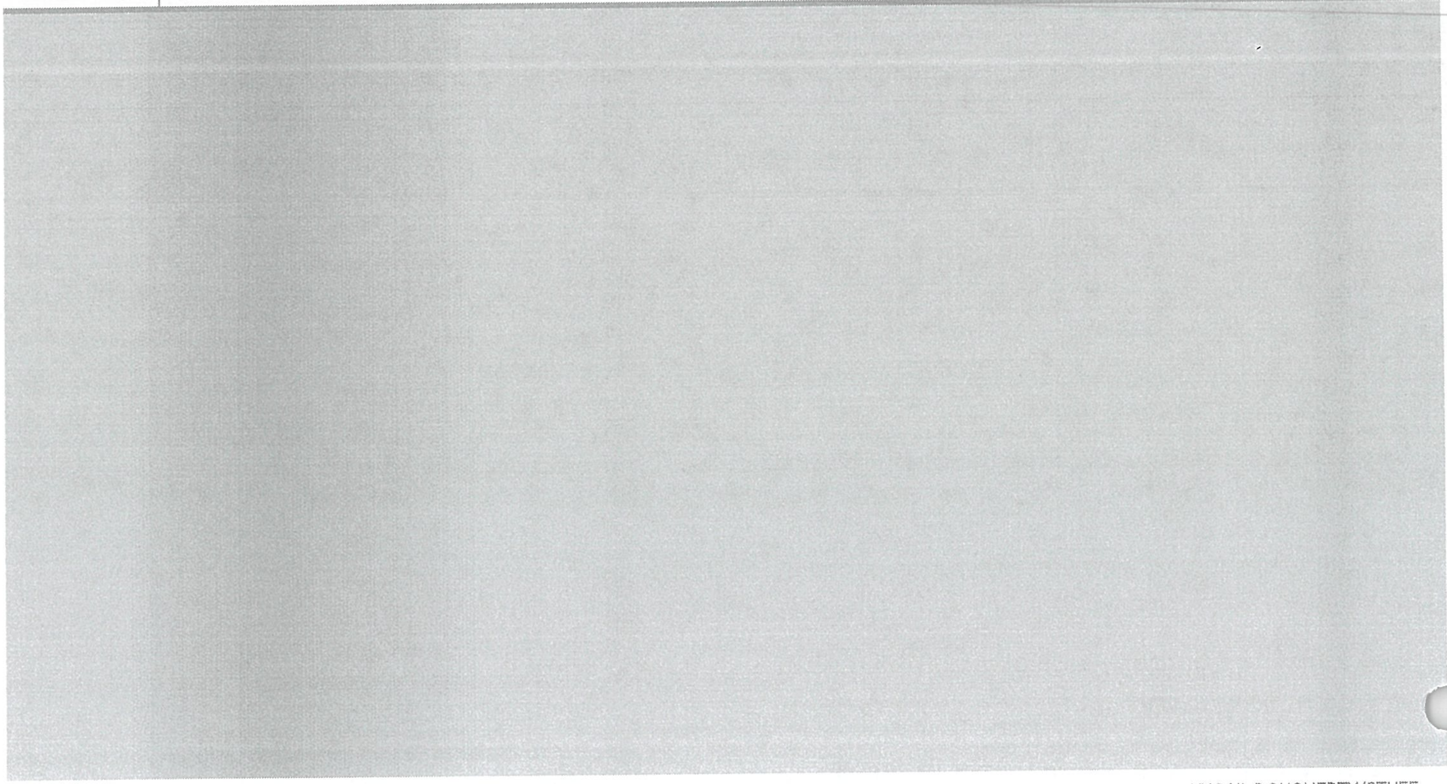
NZ First energy spokesperson Shane Jones questioned whether Rio Tinto might "put the balloon up before the election", accusing the company of previously having "pulled that stunt".

Woods said Rio Tinto had asked her whether there was "a timeframe that was problematic" for the Government in terms of the company's decision-making.

"I said 'not at all' because we've been really clear; there will be a commercial decision that they will make based on the commercial discussions that they have with electricity suppliers, and if they need to make their decision on October 12, that's over to them," she said.

It is understood that negotiations between the smelter and generators have been complicated by a lack of trust that followed Rio Tinto playing hardball in the negotiation of its current, short-term power-supply deal in 2020 – despite Rio Tinto's efforts to show the company has turned a page more generally after destroying Australian indigenous sacred sites that year.



ABIGAIL DOUGHERTY/STUFF

Energy Minister Megan Woods says decarbonisation “does not mean the de-industrialisation of New Zealand”.

Broker Forsyth Barr, which regularly reports on the major gentailers’ financial outlooks, attracted attention in November when it published a very detailed “assumption” about the terms Rio Tinto would need to agree with power companies to secure power beyond the end of 2024.

Forsyth Barr said it expected the smelter would stay open until 2039 and assumed the smelter would pay 4.7 cents a kilowatt-hour for power when the price of aluminium was US$2600 a tonne or lower, rising by 0.2c/kWh for every US$100 increase in price of aluminium above that level.

It said it assumed Meridian would supply about 320 megawatts, down from about 470MW now, while Contact would supply about 150MW, and Mercury about 80MW, and that the smelter would get extra incentives to reduce production in “dry years” when hydro power was in short supply.

Forsyth Barr senior analyst Andrew Harvey-Green, who co-authored the report, said he had no inside information.

A deal on the terms described by the broker would have implied the smelter would have paid 7.3c/kWh for power at the time, up from the 3.5c/kWh it is currently believed to pay.

But the price of aluminium has since slipped to US$2230 a tonne, which is around its 15-year average, making such an arrangement potentially less attractive for generators.

Two of New Zealand’s biggest recent advances in reducing carbon emission have come from the closure of the Marsden Point oil refinery in Northland and a change that will see NZ Steel largely switch from smelting iron ore to recycling scrap steel.

But Woods said during the election panel debate that “decarbonisation does not mean the de-industrialisation of New Zealand”.