

The Treasury

New Zealand Aluminium Smelters (NZAS) Information Release

September 2013

Release Document

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Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [2] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information, or who is the subject of the information
- [3] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [4] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [5] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [6] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
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- [8] 9(2)(h) – to maintain professional legal privilege

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Treasury Report: Update on the NZ Aluminium Smelter

Date:	5 March 2013	Report No:	T2013/397
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Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Bill English)	Note contents and discuss with us at our next meeting on Monday 11 March.	Friday 8 March.
Associate Minister of Finance (Hon Steven Joyce)	Note contents and discuss with us at our next meeting on Monday 11 March.	Friday 8 March.
Minister for State Owned Enterprises (Hon Tony Ryall)	Note contents and discuss with us at our next meeting on Monday 11 March.	Friday 8 March.

Contact for Telephone Discussion (if required)

Name	Position	Telephone		1st Contact
Juston Anderson	Senior Analyst, Commercial Transactions Group	04 890 7211 (wk)	[1] (mob)	✓
Chris White	Manager, Commercial Transactions Group	04 890 7256 (wk)	[1] (mob)	

Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury.
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Enclosure: No

Treasury Report: Update on the NZ Aluminium Smelter

1. This report provides an update on discussions between Meridian and the owners of the New Zealand Aluminium Smelter (NZAS), and some scenarios covering how this issue could play out over the next few weeks or months.

Current state of the discussions

[2,5,6,7]

¹ It is important to note that the contract between NZAS and Meridian is purely financial. It is **not** an electricity supply contract, and it is not directly linked to the operation of the smelter or the amount of electricity that NZAS uses. It is **indirectly** linked, as it has the effect of fixing the price of electricity for NZAS (based on the volume specified in the contract) and gives NZAS financial incentives to consume that volume of electricity (and therefore remain in operation).

Possible scenarios from here

[4,5]

[4,5]

[4,5,6]

Our advice

12. Our advice continues to be that Ministers should not intervene in this issue. This is on the basis that:
- [2,6,7] it is unlikely that Rio Tinto will ultimately make the decision to close it, and
 - even if Rio Tinto does decide to close the smelter, additional non-commercial assistance to keep it open (i.e. assistance beyond what Meridian is willing to offer in its own commercial best interests) does not appear to be justified.

13. Therefore if PA, Rio Tinto and or Sumitomo approach Ministers seeking support from the Crown to keep the smelter open, our advice continues to be that Ministers **should not** agree to give any support (either direct financial support from the Crown to NZAS, or pressure on Meridian to make additional non-commercial concessions).
14. If there is an approach to Ministers, we would provide more detailed advice at that point.
15. [4,5,6]

Recommended Action

We recommend that you **note** the contents of this report and **discuss** with us at our next meeting on Monday 11 March.

Chris White
Manager, Commercial Transactions Group

Hon Bill English
Minister of Finance

Hon Steven Joyce
Associate Minister of Finance

Hon Tony Ryall
Minister for State Owned Enterprises