

NZAS terminates electricity contract and plans to wind-down operations following strategic review

9 July 2020

Rio Tinto will start planning for the wind-down of operations and the eventual closure of New Zealand Aluminium Smelters (NZAS) following the conclusion of its strategic review which has shown the business is no longer viable given high energy costs and a challenging outlook for the Aluminum industry.

As a result, NZAS has given Meridian Energy notice to terminate the power contract, which will end in August 2021, when the wind-down of operations is expected to complete.

The strategic review concluded that the smelter, which has made Rio Tinto an underlying loss of NZ\$46m in 2019, is not economically viable due to energy costs that are some of the highest in the industry globally, coupled with a challenging short to medium term aluminum outlook. Extensive discussions with a wide range of interested parties have failed to secure a power contract that will enable the operation to become both competitive and profitable.

During the next 14 months, NZAS and Rio Tinto will work closely with partners as detailed planning is undertaken to wind-down operations, and eventually close the smelter.

Rio Tinto Aluminium chief executive Alf Barrios said “We recognise the decision to wind-down operations at NZAS will have a significant impact on employees, the community and our customers.

“It is not a decision we have made lightly and without significant careful consideration. It is very unfortunate we could not find a solution with our partners to secure a power price reduction aimed at making NZAS a financially viable business. We will therefore terminate the power contract and move to close the operation.

“We are committed to working with our partners as we progress through detailed planning towards closure and we will do all we can together with the government to find ways to support the Southland community.”

NZAS is a joint venture between Rio Tinto (79.36%) and Sumitomo Chemical Company Limited (20.64%). It employs around 1000 people directly and creates a further 1600 indirect jobs in Southland.

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