



New Zealand's Aluminium Smelter MEDIA STATEMENT

3 August 2015

NZAS power contract variation agreed

New Zealand Aluminium Smelters Limited (NZAS) and Meridian have today entered into a revised contract for 572MW until 2030, allowing the smelter's three potlines to remain fully operational.

NZAS Chief Executive Gretta Stephens said this was good news for the NZAS workforce, Southland and New Zealand.

"We have crossed a hurdle today and now have more certainty about our immediate future," Ms Stephens said.

"The agreement provides short-term security for the smelter and allows time for market fundamentals to improve."

This revised agreement is the latest in a long relationship between NZAS and the owners of the Manapouri Hydro dam dating back to 1963. Over the past year, NZAS ran an exhaustive commercial process to understand if power could be secured from other generators; however, Meridian was the only one, as the owner of Manapouri, able to contract with the smelter to meet its energy needs.

The contract has ongoing flexibility to maintain or reduce the load, or terminate the contract from 2018 based on market conditions.

"While we've taken a positive step today, our combined electricity and transmission prices are still not internationally competitive," Ms Stephens said.

Out of all external costs, Ms Stephens said reform to transmission pricing had never been more important as NZAS' delivered cost of electricity was one of the highest for an aluminium smelter outside of China. Last year alone the smelter paid \$64 million worth of transmission costs.

"We believe those who benefit from the infrastructure they use should pay for it, which is not happening now. According to the Electricity Authority's options paper, NZAS pays more than \$50 million every year for transmission infrastructure it receives no benefit from," Ms Stephens said.

"Worldwide demand for high-quality aluminium is increasing through automotive and electronics manufacturers. If we can continue production at NZAS, we will be able to take advantage of this future market potential which is good news for Southland and good news for New Zealand."

Ends

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About NZAS

The Tiwai Point smelter is a world-class facility which contributes \$525 million to the Southland economy annually (10.5% of Southland's GDP) and supports more than 3,200 direct and indirect jobs in the region. In 2014, NZAS made \$366 million in payments to New Zealand suppliers, including \$47 million to suppliers in Southland. It is one of two smelters in the world producing ultra-high purity aluminium and the only one producing this using electricity generated from renewable sources.