NZAS signs new electricity agreement for Tiwai Point smelter

The immediate future of New Zealand’s Tiwai Point aluminium smelter has been secured through the signing of a long term electricity agreement.

New Zealand Aluminium Smelters Ltd (NZAS), the company that operates the smelter, signed the deal with Meridian Energy Ltd after 12 months of negotiations.

The previous contract, which came into effect from 1 January 2013, had included price increases which threatened the future of the smelter in the face of falling aluminium prices and the strong New Zealand dollar. The revised contract sets new reduced pricing from 1 July 2013.

Separately, the NZ Government has provided a $30 million payment to NZAS on finalisation of contractual negotiations to secure the medium term future of the smelter, one of New Zealand’s largest industrial facilities.

NZAS Chairman Brian Cooper said the finalisation of the electricity contract negotiations and the Government payment were great news for the smelter and for the Southland community.

“This new agreement helps our employees, business partners and other stakeholders to plan for the future," he said.

“We continue to build on the great work of our employees, the operational improvements and cost reductions achieved during the past 18 months or more aimed at reducing losses and restoring profitability," he said.

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About NZAS

The Tiwai Point smelter generates more than $600 million annually in export income for New Zealand. It contributes $525 million to the Southland economy annually (10.5 per cent of Southland's GDP) and supports more than 3,200 direct and indirect jobs in the region. In 2012, NZAS made $356 million in payments to New Zealand suppliers, including $43 million to suppliers in Southland.
As the consumer of approximately 14% of New Zealand’s power, the smelter plays an important role in providing stability for the national grid, and the tariffs it pays in transmission charges are applied in the construction of electricity infrastructure across the nation.