The Treasury

New Zealand Aluminium Smelters (NZAS) Information Release

September 2013

Release Document

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Key to sections of the Official Information Act 1982 under which information has been withheld.

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

[7] 9(2)(ba)(i) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied

[8] 9(2)(h) – to maintain professional legal privilege

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [3] appearing where information has been withheld in a release document refers to section 9(2)(f)(iv).

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

Action Sought

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<tr>
<th>Action Sought</th>
<th>Deadline</th>
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<tbody>
<tr>
<td>Minister of Finance (Hon Bill English)</td>
<td>Note contents and discuss with us at our next meeting on Monday 11 March. Friday 8 March.</td>
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<tr>
<td>Associate Minister of Finance (Hon Steven Joyce)</td>
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<tr>
<td>Minister for State Owned Enterprises (Hon Tony Ryall)</td>
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Contact for Telephone Discussion (if required)

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<tr>
<th>Name</th>
<th>Position</th>
<th>Telephone</th>
<th>1st Contact</th>
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Actions for the Minister’s Office Staff (if required)

Return the signed report to Treasury.

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]

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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]
Our advice

12. Our advice continues to be that Ministers should not intervene in this issue. This is on the basis that:

- 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