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.
Aide Memoire: Talking points for phone call by the Prime Minister to Rio Tinto, 27 March 2013

Call details

3.15pm, 27 March. Dial: [1]

Participants

Likely to be:

- David Peever, Chief Executive, Rio Tinto Australasia
- Sandeep Biswas, Chief Executive, Pacific Aluminium

Pacific Aluminium’s objectives

Pacific Aluminium is seeking subsidies for the smelter over 18 years to make it economic at all aluminium prices above [2,6,7]

State of play

Relative to the current contract, Meridian informs us it has put[2,5,6,7] on the table over the first four years and [2,5,6,7], over years 5-18. It maintains this is its bottom line. Pacific Aluminium is seeking an additional [2,5,6,7] over the entire contract. The gap over the first four years is [2,5,6,7] per annum [2,5,6,7] [2,5,6,7] Meridian does not believe this gap to be bridgeable and therefore believes it has a disclosure obligation. It is prepared to hold off on this
disclosure obligation because the Crown has entered the negotiations, which may change the field of play (not because the Crown has told it to hold off).

**Government’s rationale for intervention**

The Government has no interest in subsidising a business that is uneconomic in the long term.

But a rapid exit of the smelter would:

- Disrupt the Southland economy with a large number of job losses
- Disrupt the electricity market [2,4,5,6,7]

The government has an interest in avoiding this short term disruption [2,4,5,6,7]

**The carrot**

If Rio/Pacific Aluminium is prepared to:

- Enter into a medium term contract,[2,5,6,7]

- And if Rio and Sumitomo will provide parental guarantees for the new contract

Then:

- The Crown will instruct officials to find ways to bridge some of the gap on price between the parties. The Crown understands the gap is [2,5,6,7] per annum in the first four years.

This deal would need to be agreed at a high level today and executed within a few days. Officials are available immediately and Meridian is available from Friday.

**The stick**

[2,4,5,6,7]
**Bottom lines**

**Plan B**

Plan B is to allow the commercial discussions between Meridian and Pacific Aluminium to take their course, wherever that may lead, and for the Government to make appropriate disclosures about this in the MRP offer document.

*Feedback from call between Treasury and Sandeep Biswas at c11.30pm on Tuesday (i.e. after the meeting with Ministers)*

Biswas [2,5,6,7]

put transmission pricing on the table. We have previously advised Pacific Aluminium that this is off the table for the Crown, which is where it needs to remain. Pacific Aluminium can take this up with the Electricity Authority and Transpower.

**Key facts**

NZAS current contract price of [2,5,6,7] is the lowest industrial price in NZ. It is well below the average wholesale price of c8-10c/kwh, and retail prices of >20c/kwh. Pacific Aluminium is seeking prices in the region of [2,5,6,7]

**Next steps**

Pacific Aluminium, Meridian and Treasury meet Wednesday/Thursday to explore finalising a deal along these lines.

[2,5,6,7]
Summary talking points

- We are not prepared to subsidise the smelter in the long term.

- We are prepared to help bridge the gap between Meridian and Pacific Aluminium in the short term[^4[^5][^6]] as this will have benefits for the Southland economy, the electricity market,[^4][^5][^6]

- We are asking Rio to consider engaging with Meridian for a[^2[^4][^5][^6][^7]] and a parental guarantee from Rio and Sumitomo, based on the Meridian[^2][^4][^5][^6][^7] proposal currently on the table.

- In return will look to bridge some of the[^2][^5][^6][^7] gap between Meridian and Pacific Aluminium over this period.

- If this deal is not acceptable, we expect Rio to stand behind its subsidiary and for NZAS to honour its existing contract with Meridian and its remediation obligations.[^4][^5][^6]

- If this deal is not acceptable, we will need to disclose all appropriate risks, including the termination provisions and lack of parental guarantee, in the MRP offer document and proceed with the float.

Attachments

*Differences between Pacific Aluminium and Meridian negotiating positions.*

**Chris White**, Manager, Commercial Transactions, 890 7256, [^1]
**John Crawford**, Deputy Secretary, Commercial Transactions, 917 6985, [^1]