

From: paulmaynard <paulm@matterworks.co.nz>
Sent: Wednesday, 27 October 2021 12:18 pm
To: Info Electricity Authority <Info.ElectricityAuthority@ea.govt.nz>
Subject: Ti Wai Point Smelter

I learn that the discount given to Rio Tinto to keep the smelter operational is going to translate to an increase of \$200 per consumer across New Zealand.

I have been liaising with government since 2013 on this matter and challenge the need for the subsidy.

There is a shortage of aluminium (and magnesium) leading to substantial price increases, without significantly increases in raw material or manufacturing cost.

RT does not need the New Zealand subsidy.

They have played the game of screwing down electricity prices for decades.

One with access to export statistics from Australia and import statistics to New Zealand, can readily reckon the cost structure.

“Dear Mr Darby,

It is with concern that I again write.

Rio Tinto (RT) is a leading producer and supplier of calcined bauxite, in the case of Bluff, for manufacture of aluminium.

The company ships this material from its Weipa site in Queensland.

I contend RT is making a significant profit on the material delivered to Bluff, in fact I have raised in the past, the possibility that raw material prices have been “jacked up” to transfer profit from Bluff to Australia.

Whilst initially argued against, an ex-employee has confirmed that this be so.

Recently negotiations have lead to Meridan Energy dropping their electricity prices below the wholesale price to enable RT to make a profit, the benefit to RT being around \$100 million per annum.

In fact, prices and profitability for aluminium have grown exponentially during the past year, primarily due to the change in the Chinese market.

RT, being both a producer of calcined alumina, and aluminium, is well aware of these changing market forces, likely planning ahead for some time.

Even without the ‘gift’ from Meridian, RT will be making significant profits from Bluff.

I am concerned that the \$100 million gift is coming from the people of New Zealand and the tax payer.

Is it likely that there is some pricing escalation clause exists in the Meridian contract that allows that gift to terminate?

After all, why should Meridian continue with a gift to a profitable company, more particularly when those profits are ultimately transferred overseas leaving no benefit to New Zealand.

Are you able to offer me an explanation?

Regards

Paul Maynard

Attached is some pricing data.

I am confident your own team could research alumina pricing ex Weipa, freight, and delivered prices to see what profit is being taken.

In the past I have compared these to prices into other markets.

Regards
Paul Maynard

Matterworks
9 Mera Rd, Algies Bay, 0920, New Zealand
Phone 64 9 4168228
Cellphone 64 (0) 27 4825840

Aluminum futures traded around \$2,900 per tonne, not far from a 13-year high of \$2,977 hit on September 23rd supported by strong demand and supply shortages. Chinese output has been falling as the country suppressed smelting to reduce pollution and meet green targets, while supply was further disrupted by a military coup in Guinea, the second-largest producer of bauxite and the largest supplier of China. Elsewhere, smelters in the European Union are also facing rising costs with both carbon credit and power inputs at record highs.

