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Tomago Aluminium secures long term power supply contract

CSR notes the attached media release from Tomago Aluminium Company regarding its signing of an 11-year base-load power supply contract with Macquarie Generation.

The agreement will come into effect in 2017 to replace the existing power supply contract with Macquarie Generation which remains in place until its expiry in 2017.

CSR is a joint venture participant in Tomago Aluminium through its 70 per cent shareholding in Gove Aluminium Finance Limited.

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EMBARGOED till 9.30am Friday, November 12, 2010

Tomago Aluminium and Macquarie Generation reach long-term contractual agreement

Tomago Aluminium today announced that its long-term future has been secured, following the signing of an 11-year base-load power supply contract with Macquarie Generation.

Locking in Tomago Aluminium power supply requirements up until 2028, the agreement will replace the existing power supply contract with Macquarie Generation when it expires in 2017.

The breakthrough represents the largest energy agreement ever signed in New South Wales and gives Tomago Aluminium critical certainty in terms of its long-term investment, and clarity on the business challenges ahead.

It is also a win for state-owned and Hunter-based Macquarie Generation, which has re-signed its biggest electricity customer.

Tomago Aluminium CEO Brian Cooper acknowledged that reaching agreement had been a complex and longer-than-expected process, resulting in an intended mid-year contract signing being missed.

“We were very encouraged when Macquarie Generation recently contacted us to confirm they would keep working towards a mutually acceptable outcome and the result is a win all-round,” Mr Cooper said.

“This is an excellent outcome for the long-term future of Tomago Aluminium and the 5,300 jobs we sustain directly and indirectly.

“It’s significant in terms of Hunter Region, New South Wales and national investment and employment.

Tomago Aluminium also said the deal opened the door for continued discussions with Bahrain-based Midal Cables International (Midal), which is looking to enter into a long-term hot metal supply opportunity with Tomago Aluminium and build a \$30 million aluminium conductor and rod factory on land adjacent to Tomago Aluminium’s operations.

Given recent uncertainty surrounding Tomago Aluminium’s long-term power supply arrangements, discussions with Midal were reluctantly suspended in September.

The Midal arrangement alone would mean the creation of 290 jobs, most of them in the Hunter region.

A distinguishing feature of the agreement is an opportunity for Tomago Aluminium and Macquarie Generation to work together on projects to reduce carbon emissions from Macquarie Generation’s coal-fired assets.

“Tomago Aluminium and Macquarie Generation’s evolution and development have been intertwined for the life of the smelter, and the long relationship we have in place will be important as we face the challenges of climate change together,” Mr Cooper said.



“The arrangements enable us to contemplate, participate in and share the benefits of carbon emission reduction projects.”

Tomago Aluminium would also maintain its traditional role as being a first line of defence for the NSW electricity system. The business has the capability to quickly switch off up to nearly 900 Megawatts for short periods at times of system stress, helping to preserve security of supply to the people of NSW.

Established 27 years ago, Tomago Aluminium currently produces 528,000 tonnes of aluminium annually, some 25% of Australia’s primary aluminium production.

It contributes an estimated \$1.5 billion into the national economy annually (including \$500 million into the Hunter Region alone), employs approximately 1300 employees and contractors and indirectly sustains some 4,000 jobs.

Tomago Aluminium is a joint venture between global companies Rio Tinto Alcan, Gove Aluminium Finance Ltd (CSR and AMP) and Hydro Aluminium.

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