

Hon Grant Robertson

MP for Wellington Central
Deputy Prime Minister
Minister of Finance
Minister for Infrastructure
Minister for Sport and Recreation
Minister for Racing



- 2 JUN 2021

Phil Pennington
RNZ
Phil.Pennington@rnz.co.nz

Dear Phil

Thank you for your Official Information Act request, received on 5 May 2021. You requested:

As per p182 of the 20210070 OIA release which gives Treasury advice as "we recommend the Tiwai Group Ministers ... consider proactively releasing their key correspondence with Rio Tinto", I request release in fully searchable format of all this key correspondence (or a link to where it has been proactively released).

Information being released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1.	20 August 2020	Letter to Hon Grant Robertson and Hon Dr. Megan Woods	Release in full
2.	21 August 2020	Letter to Alf Barrios	Release in full
3.	27 August 2020	Letter to Minister Woods	Release in full
4.	14 October 2020	Letter to Minister Robertson	Release in full
5.	6 November 2020	Letter to Minister Robertson	Release in full
6.	12 November 2020	Letter to Alf Barrios	Release in full
7.	2 December 2020	Letter to Andrew Horvat	Release in full
8.	4 December 2020	Letter to Minister Robertson	Release in full
9.	15 December 2020	Letter to Alf Barrios	Release in part
10.	18 December 2020	Letter to Minister Robertson	Release in part
11.	18 February 2021	Letter to Minister Robertson	Release in full
12.	5 March 2021	Letter to Alf Barrios	Release in full
13.	31 March 2021	Letter to Minister Robertson	Release in part

I have decided to release the relevant parts of the documents listed above, subject to information being withheld under one or more of the following sections of the Official Information Act, as applicable:

- personal contact details of officials, under section 9(2)(a) – to protect the privacy of natural persons, including that of deceased natural persons,

- commercially sensitive information, under section 9(2)(b)(ii) – to protect the commercial position of the person who supplied the information, or who is the subject of the information, and
- confidential information, under section 9(2)(j) – to enable the Crown to negotiate without prejudice or disadvantage.

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Regarding the reference in Rio Tinto's letter of 18 December 2020 to "Transpower's calculated stand-alone charge of \$20 million per annum", it is important to note the charge referred to was only Transpower's very preliminary and high level view of possible, but not necessarily likely, costs of service and, in Transpower's view, did not provide a reliable basis on which any decisions should be made regarding the smelter's future or what a prudent discount might be or how it might be calculated, assuming that a prudent discount policy in a similar form is even adopted or implemented by the Electricity Authority at some future date.

In particular, Transpower noted when it provided the information to NZAS in response to an OIA request that:

- only the interconnection part of NZAS's transmission charges were considered (i.e. connection and energy charges were not included);
- some simplified engineering assumptions were made to exclude assets north of a given point where energy is not expected to flow in the reverse direction should demand, generation or a dry year modify normal conditions; and
- the calculations contained some simplified assumptions regarding WACC and the share of load taken by NZAS.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely



Hon Grant Robertson
Minister of Finance

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20 August 2020

Hon Grant Robertson, Minister of Finance
Hon Dr. Megan Woods, Minister of Energy and Resources
Private Bag 18041
Parliament Buildings
Wellington 6160 New Zealand

Dear Ministers Robertson and Woods:

Thank you for meeting with us (via Zoom) on 24 July. At that meeting we established a shared desire to ensure the community of Southland and our team at Tiwai Point should have certainty about the timing of the closure of Tiwai Point in order to plan for the future. We agreed that this was a matter of urgency and that we should work together to ensure the smelter can keep contributing to the Southland and national economies over a longer four- year period. This week we also met with the Southland Mayoral Forum and Chamber of Commerce and again this longer exit for the smelter is also their strong preference to enable their community to make a more measured transition.

During our meeting with you we discussed the possibilities of achieving your preference of a slower smelter exit over a number of years as opposed to our current plan to wind down the operation from August 2021 when the current contract with Meridian Energy terminates. As we discussed, in order to achieve this objective, the Tiwai Point smelter needs both a more competitive energy price from Meridian Energy and a fair and commensurate fixed price for energy transmission that accurately reflects the transmission services the smelter receives. If these two factors can be addressed, the smelter can remain operating at near full capacity for the next four years or more, securing current employment levels and continuing to supply low carbon aluminum to customers in New Zealand and abroad.

I appreciate that the Government is now coping with the resurgence of Covid 19 in Auckland and has had to postpone the general election. We commend you for the extraordinary steps you have taken to keep people safe. However, to provide the certainty we agreed was necessary, we need to move with more deliberate speed. To date, we have only received a request for detailed information from the Ministry of Business Innovation and Employment, which we provided immediately in early August. We have not heard from officials since that time.

Our team was heartened to hear your public comments last week that Treasury's Economically Significant Business Unit is engaged on the Tiwai Point matter and our team is ready to engage with them as soon as possible, however to date we have not heard from this team.

Ministers, I appreciate the extraordinary circumstances that we are in due to the COVID pandemic, but as agreed on our call, we owe it to the workforce at Tiwai Point and the greater Southland community to work toward improving the competitive position of the smelter for a longer period of time than our current plan to close next August. If it is possible to address the transmission cost, we should come to agreement quickly. If it is not, then we should make that clear to all stakeholders so they can make plans accordingly.

I would like to have another meeting in the next few days to assess progress. Please let me know if possible.

Yours sincerely,

s9(2)(a)

Alf Barrios
Chief executive, Aluminium

Hon Dr Megan Woods

MP for Wigram

Minister of Energy and Resources
Minister for Greater Christchurch Regeneration
Minister of Housing
Minister of Research, Science and Innovation



Friday, 21 August 2020

Commercial in Confidence

Mr Alf Barrios
Chief Executive, Aluminium
Rio Tinto
PO Box 1665 Wellington 6140
New Zealand

By email: s9(2)(a)

Dear Mr Barrios

Thank you for meeting with the Minister of Finance and myself on 24 July to discuss Rio Tinto's recent announcement that it plans to close the New Zealand Aluminium Smelter (NZAS) in August 2021. The priority of the Government response to the resurgence of Covid-19 in New Zealand has led to an unavoidable delay in my reply to you.

At the meeting you indicated that Rio Tinto were willing to consider a lengthier exit pathway for NZAS, if it were able to secure an acceptable delivered electricity price. I understand that Rio Tinto has come to an understanding with Meridian Energy, which would have the smelter continue to operate for a period of four years. I understand the remaining issue for the smelter is the cost of transmission.

I am aware that the smelter is likely to receive a reduction in transmission prices through the Electricity Authority's Transmission Pricing Methodology (TPM) process. I am also advised that there would be benefits of an extended closure timeframe, many of which were identified at the March 2020 workshop that the Ministry of Business, Innovation and Employment (MBIE) held with NZAS and industry participants.

As Minister of Energy and Resources, I believe there is merit in the Government and Rio Tinto (on behalf of NZAS) continuing to discuss a potential agreement, under which Rio Tinto and NZAS would agree to have a managed closure of the smelter at Tiwai Point. I am therefore interested in continuing our discussions and I intend to engage with Transpower and Shareholding Ministers on the next steps.

An agreement may include an acceleration of the delivery of an agreed 'fair price' for electricity transmission to NZAS, if Rio Tinto committed to options including:

1. Continuing to operate the smelter for a defined period (e.g. 4 years) from August 2020.
2. Sharing with Government the detail of its plans for decommissioning the NZAS site, and the clean-up of contaminants on and off the site and site remediation work, as soon as practicable, but no later than March 2021.
3. Agreeing to maintain an agreed level of employment before the agreed closure date, unless the Government and Rio Tinto agree to an alternative phased approach to managing the exit pathway.

4. Actively working with the government on a long-term economic development for the site and its future.

I propose that officials work with your team to begin drafting a Heads of Agreement, which would set out the high level terms of our arrangement. I will continue to engage with Transpower and Shareholding Ministers in the coming weeks about the steps that would be required to enable an agreement to be reached and confirmed by the Government. However, working towards any agreement on transmission costs will require a Cabinet decision. Cabinet is sitting infrequently during the pre-election period and is prioritizing our Covid-19 resurgence response. Accordingly I will not be able to seek Cabinet's authority and mandate until after the election on 17th October.

I look forward to your response.

Yours sincerely



Hon. Dr Megan Woods
Minister of Energy and Resources

cc: s9(2)(a)



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27 August 2020

Hon Dr. Megan Woods, Minister of Energy and Resources
Private Bag 18041
Parliament Buildings
Wellington 6160 New Zealand

Dear Minister Woods,

Thank you for your letter of 21 August which crossed paths with my letter of 20 August. I would like to again acknowledge the extraordinary effort made by your Government in dealing with a resurgence of Covid-19 and the delays this has caused. We are grateful for the Government's efforts to keep our employees, retirees and customers in New Zealand safe.

However, we are also conscious of the tremendous stress and pressure that our employees and community are facing due to uncertainty over NZAS' future. At our 24 July meeting, we all committed to a four-week timeframe to provide NZAS employees and the Southland community with certainty.

As such, we were somewhat surprised that your letter indicates that clarity on a fair transmission price will only be provided toward end of year. It is our view that we need to reach more specific terms on transmission cost as a matter of urgency. Clarity on transmission is the lynchpin to a mutually beneficial extension agreement that ensures that New Zealand remains a producer of low carbon aluminum and that facilitates long term energy planning in New Zealand.

It is worth noting that we have exchanged views with Meridian in good faith, however we have not finalized terms for a four-year power agreement as referenced in your letter. While a four-year time frame is preferable for all stakeholders, our ability to make that commitment is dependent on understanding all of the operating cost for NZAS beyond 2021.

Based on the meeting you refer to in March 2020, the transmission information is available and the work to determine a fair charge for transmission to NZAS has been completed. We are committed to working with your team to achieve a Heads of Agreement within the next two weeks. This includes Rio Tinto making further commitments provided there is clarity over a fair fixed price for electricity transmission. We have already made contact with your team to expedite these discussions.

With your support and commitment to this process and timeframe, together we can provide much needed certainty to the NZAS workforce and community. We are committed to working quickly so that the agreement could be brought to Cabinet Ministers before parliament dissolves on 6 September.

Please let me know if you would like to discuss these issues on the phone, I am at your disposal for a call.

Yours sincerely,

s9(2)(a)


Alf Barrios
Chief executive, Aluminium

CC: Minister Robertson

The logo for Rio Tinto, featuring the company name in white serif font on a red rectangular background.

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14 October 2020

Hon Grant Robertson, Minister of Finance
Labour
Freepost Parliament
Private Bag 18 888
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Wellington 6160

Dear Minister Robertson,

I hope this finds you well. I commend you and the government on your progress in combatting the COVID-19 virus and keeping New Zealand safe.

In our last meeting on 11 September, you gave officials a clear direction to work with our negotiating team to jointly develop a draft Heads of Agreement (HOA) by the end of October in order for Rio Tinto to progress it through our internal processes in time for a new government to approve upon formation of Cabinet.

In her letter of 21 August 2020, Minister Woods affirmed that it was the Government's preference for the Tiwai Point smelter to operate beyond August 2021. This letter also outlined the Government's interest in how the site decommissioning and remediation would be approached, the level of employment during this period and how Rio Tinto would work with you on a long-term plan for the future of the site.

I am writing to express concern that subsequent talks have not been focused on the broad outline of the mutual obligations in a HOA but rather on information collection from Rio Tinto. Some of the information being sought has not yet been developed as our closure planning process has just begun and other parts are commercially sensitive. Our team has now provided written responses with supporting material to the request for information document, as well as two iterations of the draft HOA, but is yet to receive any written feedback or a counter. Finally, the Treasury team has not yet provided a clear indication about how a fixed and fair transmission charge would be delivered and has no mandate to discuss what might be an appropriate charge. This is a pivotal requirement for the HOA to be considered by Rio Tinto.

While we recognize that your officials want information to ensure that the interests of New Zealand are protected in terms of closure planning and environmental protection, we need to prioritize all aspects required to reach an agreement. I know this is a very busy time, but I would ask that you intervene to make sure that we meet the goals and schedule we agreed on 11 September.

Urgency is required for two reasons that should motivate both Rio Tinto and the Government of New Zealand. Firstly, our workforce and the local community need certainty to plan their future. Secondly, we will need to begin implementing our wind down plan in early 2021, absent

an agreed HOA that provides a basis for operating beyond August 2021. I would also note that we are currently heading into "negotiation season" for future metal sales with our customers. NZAS's customers are understandably nervous and considering future supply options, and we expect our competitors to take advantage of this. We are genuinely concerned that NZAS is at risk of losing key customers if we cannot provide them with a longer supply outlook in November.

We appreciated the contact with the Chief Executive of the Treasury and her assurance to Kellie Parker that a draft HOA will be delivered by the end of October, however we are concerned as to whether this is possible without more significant engagement between our teams. In order to meet the objectives set at our 11 September meeting, we both need to push our teams to move at pace.

Thank you again for considering this request, I am at your disposal if you would like to discuss developments.

Yours sincerely,

s9(2)(a)

A rectangular grey box redacting the signature of Alf Barrios.

Alf Barrios
Chief Executive
Aluminium



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6 November 2020

Hon. Grant Robertson
Deputy Prime Minister and Minister of Finance
Labour Party
Freepost Parliament
Private Bag 18 888
Parliament Buildings
Wellington 6160

Dear Deputy Prime Minister Robertson,

Congratulations on your election and on your appointment as Deputy Prime Minister and Minister of Finance.

For almost 50 years, Rio Tinto's Tiwai Point aluminium smelter has made a valuable economic contribution to the Southland and national economy as a leading manufacturer and exporter of low-carbon aluminium. Utilizing the natural advantages New Zealand possesses in the production of aluminium -- hydro-electricity generation, a hardworking and skilled work-force and proximity to key customers -- we are proud of our contribution to the economy and a low-carbon future.

It was very welcome news when Prime Minister Ardern indicated her support for measures to improve the competitiveness of the Tiwai Point smelter through fair transmission pricing during her September visit to Invercargill. We have engaged in good faith with government officials to provide information to facilitate an outcome that would improve Tiwai Point's competitive position and allow for a longer transition period beyond August 2021. This will also allow the nation's electricity industry to constructively plan for the future.

As we have discussed, we need to proceed at pace if we are to lock in a positive outcome and provide our employees, the Southland community and our customers with certainty. We are now past the deadline we agreed for joint development of a HOA which would form the basis for Rio Tinto and Sumitomo Chemical Corporation to commence internal approval processes. My understanding from my team is that negotiations are at a standstill and urgently need to be reenergized.

Clearly, there is a strong interest from the government to know how the site will be remediated, and we committed to a robust planning process to ensure that the site is appropriately remediated and where possible repurposed. We have commenced our detailed work with a preliminary study, which will be completed in 2021, and we are committed to working closely with the government throughout the process. However, we have not yet had any details from the government about the transmission pricing relief, which is fundamental to our consideration of extending the life of the Tiwai Point smelter beyond August 2021.

I believe that now is the time for us to try to work out final details at our level so that Cabinet can consider the HOA at its meeting on 16 November. If we do not meet the timing goals that we had previously agreed, the uncertainty for our customers, employees and the Southland community will continue to escalate. We must honour our commitment to provide the people that work at Tiwai Point with certainty before Christmas.

The current uncertainty is leading some of our key personnel to understandably consider options for other employment and we have seen some team members leave the business in recent months. This in turn is leading to operational performance issues due to reduced expertise at site. As you may know, we had an urgent stability issue in the smelter this week that jeopardized ongoing safe operation. These performance issues create unacceptable risk to safe operation and could force us partially curtail operations by end of year.

I suggest we meet as soon as possible to bridge outstanding issues and make every effort to come to agreement on a positive outcome.

Thank you for your ongoing support of the Tiwai Point smelter and the people that work there. On behalf of my colleagues in New Zealand, we wish your Government all the best as it navigates a historically challenging period in time.

Yours sincerely,

s9(2)(a)

Alf Barrios
Chief Executive

Hon Grant Robertson

MP for Wellington Central
Deputy Prime Minister
Minister of Finance
Minister for Infrastructure
Minister for Sport and Recreation
Minister for Racing



12 November 2020

Alf Barrios
Chief Executive
Rio Tinto

s9(2)(a)

Dear Alf

Thank you for your letter of 6 November 2020. I appreciate your stated aspirations for Rio Tinto's Tiwai Point Aluminium Smelter and your engagement with officials to achieve a transition period beyond August 2021.

The appropriate way to progress these discussions continues to be through the Crown's negotiating team, led by Maureena van der Lem at the Treasury. I have instructed my officials to progress negotiations and they keep me, and other Ministers well updated.

I can assure you the Government remains committed to reaching an agreement where a good outcome that takes a holistic approach to an extension of operations at the site of between 3 to 5 years, and a managed and safe exit can be achieved.

The Government is committed to supporting the Southland economy now and in the future, and we are committed to ensuring an appropriate, locally-led transition for Southland. We also must, as stewards of the land, ensure appropriate remediation of the Tiwai site, preventing any scenario that would see toxic waste not appropriately dealt with and the landscape left in an undesirable state. I strongly encourage Rio Tinto to consider what substantive environmental remediation commitments it can make, beyond process commitments which, while useful, do not determine outcomes and therefore provide limited comfort to the Crown.

As you know we are very much aware of your request regarding transmission pricing. Notwithstanding the further work needed to reach a holistic agreement including appropriate remediation commitments, I believe a mutually acceptable transition package is achievable.

In response to your concerns regarding the timeframe, I recognise the urgency of discussions, however I would like to reiterate that the deadline for Cabinet consideration was always post-election at the end of November 2020. This was made clear in our meeting of 11 September. I understand from our officials that Rio Tinto has felt unable to share some information with the negotiating team, which has delayed the process. Despite this, progress has continued to be made. With your co-operation and a mutual adherence to timeframes as well as the commitment of both parties, your end of year deadline appears achievable.

While my strong preference is to give the people of Southland certainty as soon as possible, we must also undertake a robust process; the way to expedite this is to continue the constructive work underway with officials. To help achieve this, I have asked my officials to provide your negotiating team with an update after Cabinet meets on Monday 16 November 2020 and I hope Rio Tinto then feels able to recommence discussions including what commitments you can make to enable a holistic agreement.

I sincerely believe that with your commitment to achieving appropriate environmental remediation, this work can be concluded by the end of the year.

Yours sincerely



Hon Grant Robertson
Deputy Prime Minister

Cc: Hon Dr Megan Woods
Hon David Parker
Rt Hon Jacinda Ardern

Hon Grant Robertson

MP for Wellington Central

Deputy Prime Minister

Minister of Finance

Minister for Infrastructure

Minister for Sport and Recreation

Minister for Racing



2 December 2020

NZAS Director
Andrew Horvat

s9(2)(a)

Dear Andrew,

I am writing to you regarding the proposed extension of the operation of the Tiwai smelter.

I am pleased to hear that our respective negotiating teams are making progress and have identified some mutually acceptable common ground. That said, I am aware that there are some significant differences that are yet to be resolved. We remain committed to reaching a mutually beneficial agreement.

From our perspective, I wanted to ensure that you fully understand the importance the New Zealand Government is placing on environmental remediation. I understand that this has been conveyed to your negotiating team.

I am confident that the directors, the auditors and the shareholders of New Zealand Aluminium Smelters Limited fully understand their legal duties and obligations and the expectations of the broader Southland community in relation to closure and remediation, and will have appropriate measures in place to meet them in full.

Regardless of any extension to the operation of the smelter, a considerable amount of remediation and rehabilitation work will need to be undertaken to deal with existing environmental issues. The 2019 financial statements for NZAS includes a provision for close down and restoration costs of \$294m.

Because the issue is important, the New Zealand Government would very much like to understand the basis on which that provision has been calculated, and receive assurance from you that you think that provision is adequate to cover the costs of remediation and rehabilitating the smelter site once operations cease.

I look forward to the successful conclusion of our negotiating teams' discussions.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Grant Robertson'.

Hon Grant Robertson
Minister of Finance

Cc: Hon Dr Megan Woods, Minister of Energy and Resources
Hon David Parker, Minister for the Environment



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4 December 2020

Hon. Grant Robertson
Deputy Prime Minister and Minister of Finance
Labour Party
Freepost Parliament
Private Bag 18 888
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By email: Grant.Robertson@parliament.govt.nz

Dear Deputy Prime Minister,

Further to our previous meetings and correspondence, and more recently your letter of 2 December 2020 sent by email to Rio Tinto personnel who are directors of New Zealand Aluminium Smelters Limited (**NZAS**), I wanted to respond on behalf of Rio Tinto and Messrs Horvat, Prest and Hamilton. I understand that our partner in NZAS, Sumitomo Chemical Company, will also respond to your letter to their representatives on the NZAS board.

Rio Tinto takes its operating and closure responsibilities very seriously. As you are aware, the closure planning process currently underway, including the planning for the wind-down of smelter operations from August next year, is expressly designed to address all legal requirements and optimise all possible opportunities for rehabilitation and repurposing of the site consistent with the law and [Rio Tinto's closure standard](#)¹. As my team has shared with your officials, we have many examples of "best of industry" closure outcomes around the globe. An integral part of our comprehensive closure planning will be an extensive engagement with the Southland community, and Ngāi Tahu.

In relation to the provision in the NZAS accounts, the provision is an estimate of the cost (at the 31 December 2019 balance date) of closure of the smelter and rehabilitation of the smelter site, based on numerous assumptions which have an inherent uncertainty. While the approach in developing this provision was consistent with financial reporting standards and legal requirements, it is now an historical best estimate, which will be further revised as the context is reviewed and closure planning is more fully understood.

My team has made it clear to officials that the final cost of closure and remediation could alter materially depending on a number of factors. There are many options to be considered for remediation (or repurposing) of the smelter site which could affect the final level of expenditure. It is only after the detailed closure study planning process is complete that there will be a more accurate picture of the relevant remediation (or repurposing) options, and their costs. Importantly, the provision in the NZAS financial statements does not take account of the potential for repurposing the smelter site (which we understand is an outcome the government is interested in, for the benefit of Southland and the New Zealand economy overall).

¹ <https://www.riotinto.com/en/sustainability/closure>

We are committed to working collaboratively with the government to understand the closure and remediation options and the development and implementation of plans for dealing with waste material at the site. We hope we can continue to build a collaborative relationship with officials to plan for eventual closure or repurposing of the site.

In regard to our joint efforts to provide certainty to the Southland community through a mutually beneficial agreement, it is now clear from the government's most recent change in position that the engagement with the government team will not be able to meet our agreed target date. The government's requirements and demands regarding remediation have been put forward without any clear offer of transmission pricing relief, which we had previously agreed was to be part of a Heads of Agreement and the government had publicly indicated was an acceptable way to improve the competitiveness of the Tiwai Point smelter.

[The Labour Party Fact Sheet](#)² released in September indicated it would: *Work with Rio Tinto and Transpower to reach a fair price for transmission costs over the extended closure period, to lessen the impact on power prices for other consumers.*

The Fact Sheet also stated that negotiations with Rio Tinto would "be focused on establishing a fair price for the transmission costs paid to Transpower by the Aluminium Smelter."

Unfortunately, a fair transmission price has apparently been replaced with an offer of a subsidy payment from the government. As I have indicated to you on a number of occasions, the NZAS partners do not want a subsidy.

Given this change in position, I regret that I do not see this engagement providing a way for us to meet our mutual commitment to Tiwai Point workers and the people of Southland to provide certainty by Christmas. If so, there is little value for the negotiation teams to continue to meet to find a comprehensive Heads of Agreement that satisfies all parties' concerns.

Rio Tinto and its partners in NZAS will consider our options given the failure to reach agreement with the government and see what we can do to provide some level of certainty to the people that work at Tiwai Point and the Southland Community.

While we regret we have not been able to find a mutually satisfactory way to secure the competitive position of the Tiwai Point smelter, we are committed to supporting the Southland economy to transition to a post Tiwai future and a collaborative and transparent process for planning for closure or repurposing of the site.

I will keep you apprised of the decisions made by the NZAS partners and as always remain available to discuss these matters.

Yours sincerely,

s9(2)(a)



Alf Barrios
Chief Executive

² <https://www.labour.org.nz/release-a-locally-led-transition-for-southland>

Hon Grant Robertson

MP for Wellington Central
Deputy Prime Minister
Minister of Finance
Minister for Infrastructure
Minister for Sport and Recreation
Minister for Racing



15 December 2020

Alf Barrios
Chief Executive
Rio Tinto Aluminium

s9(2)(a)

Dear Alf,

On behalf of my colleagues, thank you for meeting with us on 14 December 2020. We share your commitment to finding a mutually agreeable way forward to extend the Tiwai Point aluminium smelter's operation to achieve a managed exit and transition for Southland.

I am pleased that our negotiating teams have reached agreement in principle on the tenure of a potential extension of operations and the agreed workforce level required to continue operations for the duration of the agreement.

As we discussed, gaining certainty about how the site will be remediated is very important to the New Zealand Government. We acknowledge that a reduction in the smelter's transmission charges is a priority for New Zealand Aluminium Smelters Limited (NZAS). This letter sets out our proposal for the remediation and transmission commitments for both parties to secure a mutually acceptable extension to the smelter's operations.

Regardless of how the smelter site is used in the future, addressing the toxic contaminants on site including the spent cathode lining and the contaminants present in the unlined landfill and underneath pot lines, is a bottom line for the Crown. This is absolutely critical for the intergenerational wellbeing of the Southland community and the environment, particularly given the climate change and coastal erosion risks faced by the site. It is also a matter of critical importance for mana whenua.

We expect that the site will be remediated in a manner, and to standards, which will leave the buildings and land, including soil, sediment, ground water, coastal water and fresh water, in a state where it will not cause short or long-term environmental harm or a risk to the health of any person.

We were encouraged to hear that you have already started your closure process, including engaging consultants to undertake environmental sampling and testing. Thank you for committing to share the outcomes of this sampling and testing with us – we look forward to receiving both a description of the site investigation and the results.

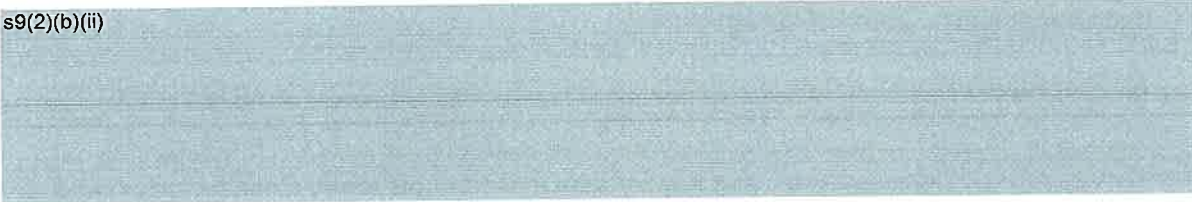
Therefore, to achieve a managed exit for the smelter and in consideration of our respective interests, the New Zealand Government will provide a Transmission Transition payment to NZAS of s9(2)(j). This payment would start from January 2021 until December 2024 to align with the tenure of Meridian's offer to NZAS for a revised electricity contract s9(2)(j). NZAS's transmission charges would continue to be allocated using the Transmission Pricing Methodology.

Alongside this, as part of the overall agreement, NZAS will commit to the following:

- Undertake a robust closure planning process which includes partnering with Ngāi Tahu and key stakeholders to identify issues, design processes and develop solutions.
- Remove all spent cathode lining and contaminated soil under pot lines, to be recycled, or disposed of, safely and securely offsite in accordance with modern standards.
- Excavate the smelter's unlined landfill, and ensure all material is either recycled or disposed of safely and securely offsite, at a landfill that complies with modern standards and is not subject to risks of coastal erosion or rising sea levels.
- Continue to provide Environment Southland, the regional authority with the lead responsibility for environmental management, with full access to the site (including to undertake sampling) in order to undertake its monitoring and information gathering obligations.
- Commit to ensuring that appropriate provision is made for post-closure monitoring, maintenance and management of any waste, hazardous substances and contamination that may remain on site following closure.

Rio Tinto and Sumitomo would be required to be parties to the agreement recording these obligations, or otherwise provide a guarantee for these commitments.

s9(2)(b)(ii)



We believe the proposals set out above meet Rio Tinto's stated high remediation standards that you have emphasised. We trust this proposal provides the basis for an agreement in principle to be reached before the end of the year to secure an extension to the smelter's operations. Could you please provide a written response to the above proposal by 12:00pm (NZST) Friday 18 December 2020, including any specific counteroffer outlining how you would deliver on the Government's remediation requirements.

This ambitious timeline is designed to achieve certainty before the end of the year for the Southland community. We look forward to hearing from you and to reaching agreement for the extended operations of the smelter. We share your commitment to provide certainty to the smelter workforce and to achieve an appropriate managed exit and transition for the people of Southland.

Yours sincerely,



Hon Grant Robertson
Deputy Prime Minister

Cc: Hon Dr Megan Woods, Minister of Energy and Resources
Hon David Parker, Minister for the Environment
Rt Hon Jacinda Ardern, Prime Minister



Rio Tinto
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T : s9(2)(a)
E : s9(2)(a)

18 December 2020

Hon Grant Robertson
Deputy Prime Minister
Minister of Finance
Parliament Buildings
Wellington 6160
New Zealand

By email: Grant.Robertson@parliament.govt.nz

Dear Deputy Prime Minister,

Thank you for your letter of 15 December 2020 and for meeting with us on 14 December. We are grateful for the government's most recent offer and we recognize the positive change in terms. We would like to continue working with you to achieve a mutually satisfactory outcome as quickly as possible, however at this point we do not believe that details and internal approvals for both JV partners can be completed in 2020.

Allowing for a holiday break, I would suggest that our negotiating teams work in earnest to complete an agreement in early January. In this phase, if it appears a mutually agreeable outcome can be achieved, our joint venture partners Sumitomo Chemical Company (SCC) will need to be closely consulted and may wish to participate in further discussions on these matters. While we work closely with our joint venture partner, as a participant in the NZAS Joint Venture, any remediation commitments will need to be endorsed by SCC.

In regard to the specific aspects of your letter, I am pleased to confirm our understanding of a number of core aspects in this letter and share issues in regard to others. We recognize that it is very important for the New Zealand Government to have a clear view of how the Tiwai Point site will ultimately be closed and remediated. It is also clear that consideration of productive repurposing of the site for ongoing economic benefit and employment in the Southland is a priority.

We recognize that the transmission power rebate proposal that you have put forward acknowledges our longstanding public position that the competitive position of the Tiwai Point smelter has been undermined by the allocation of the cost of energy transmission infrastructure by Transpower. A rebate mechanism that recognizes the unfair and disproportionate cost for Tiwai is a pragmatic solution to the legislative and administrative issues that exist in the current Transmission Pricing Methodology. We look forward to discussing with you the mechanism by which this would be delivered, and the basis for your proposed s9(2)(i) reduction on NZAS transmission charges of \$60 million per annum, which remains a large gap to Transpower's calculated stand-alone charge of \$20 million per annum.

With regard to remediation of the site, we can commit to partnering with Ngāi Tahu and key stakeholders on a robust closure planning process to identify issues, design processes and develop solutions. As we have previously confirmed, our closure planning process is robust and inclusive of our key stakeholders.

We can commit to ensuring appropriate provision is made for post closure monitoring, maintenance and management of any waste, hazardous substances and contamination that may remain on site following closure.

We could also commit to removing all spent cell lining (SCL), once we have established an in-country pathway, with your support. At present, there is currently no end user for SCL in New Zealand, following the closure of the Holcim cement plant at Westport, so removal and processing is a more challenging component to resolve, as it relies on other countries processing waste generated in New Zealand, which is becoming increasingly difficult. We would seek your assistance in working with industry to identify other local opportunities, which we have found to be the most effective way of disposing of this product in the shortest timeframe in other jurisdictions.

We could commit to working with Environment Southland and other relevant regulators in relation to closure planning, including sharing closure planning and related information that is appropriate to share, including the work of relevant external experts who will be undertaking technical components of the closure planning on issues such as contamination. Of course we will continue to work collaboratively with the regulators on business as usual processes, as we have done for the nearly 50 years of our operation at Tiwai, and can agree plans with regulators to visit the Tiwai Point site, within the limitations of what is acceptable to NZAS on what is a live and potentially hazardous operating site.

In relation to the landfill on site, we could commit to ensuring there is no contamination from the landfill into the receiving environment. We have commenced detailed work to understand the landfill to a level of detail that can properly inform options and an appropriate strategy to deliver that outcome. This will take into consideration sea level rises and coastal erosion risks. As that work proceeds, this is an area we suggest would be beneficial to share relevant information, including for example assumptions around climatic changes and similar.

With regard to your comments in relation to the Emissions Trading Scheme, we continue to factor the current allocation and price into the economic assessment of the viability of NZAS. On the transmission cost rebate proposal, I would like to continue discussions about the amount of the rebate and how that correlates to the amount of transmission infrastructure that Tiwai Point uses. In our view, the rebate should be commensurate to a measurement of actual usage.

As you are aware, we are also progressing discussions with Meridian Energy. I look forward to our teams reconnecting to discuss transmission and remediation with a view to reaching agreement in January 2021.

Yours sincerely and hoping you have a well deserved break over the holiday period.

Warm regards,

s9(2)(a)



Alf Barrios
Chief Executive
Rio Tinto Aluminium



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18 February 2021

Hon Grant Robertson
Deputy Prime Minister
Minister of Finance
Parliament Buildings
Wellington 6160
New Zealand

By email: Grant.Robertson@parliament.govt.nz

Dear Deputy Prime Minister,

As you may know, Rio Tinto recently announced changes in our leadership team. I have been appointed as Rio Tinto's Chief Commercial Officer and will be relocating to Singapore, Kellie Parker has been appointed Chief Executive Australia and joins the Rio Tinto Executive Committee, and Ivan Vella has been appointed Chief Executive Rio Tinto Aluminium.

As Kellie and I depart Rio Tinto Aluminium and we celebrate our fiftieth year of operation at Tiwai Point, we wanted to thank you and your government for your continued engagement and support for the team at Tiwai Point. We are very pleased to have secured an electricity arrangement, which will allow continued operation for another four years. We recognize that this situation was causing anxiety for the community and it is good that we have agreed on a way forward. We remain focussed on securing a fair transmission cost for the smelter over the next four years and we will continue to engage with the Treasury-led team in order to secure a fair outcome.

As we have previously outlined, Rio Tinto takes its operating and closure responsibilities very seriously. Our team has shared with your officials, the many examples of "best of industry" closure outcomes delivered by Rio Tinto around the globe. An integral part of our comprehensive closure planning will be ongoing and extensive engagement with your government, the Southland community, and Ngāi Tahu.

The team at Tiwai Point are also pleased that a solution has been reached regarding removal of the ouvea pre-mix from the Matura paper mill site. This was a vexing issue for all involved and we are glad that we have found a way to advance the matter.

My successor as Chief Executive of the Aluminium Group, Ivan Vella, has been with Rio Tinto for 17 years during which time he had many different roles around the world, most recently running our Iron Ore business in Western Australia on an interim basis. Ivan is looking forward to maintaining the good relationships we have established with you and your Cabinet colleagues over the past year and we know you will enjoy engaging with him. We will reach out to schedule a meeting to introduce Ivan in the coming weeks as we progress the leadership transition.

Finally, Kellie and I want to express our pride in the team at Tiwai and their commitment to contributing to New Zealand's economy and standing on the international stage by bringing kiwi grit and ingenuity to produce some of the world's lowest carbon aluminium, a metal that resolutely remains the metal of our low-carbon future.

Yours sincerely,

s9(2)(a)

Alf Barrios
Chief Executive
Rio Tinto Aluminium

Hon Grant Robertson

MP for Wellington Central
Deputy Prime Minister
Minister of Finance
Minister for Infrastructure
Minister for Sport and Recreation
Minister for Racing



5 March 2021

Alf Barrios
Chief Executive
Rio Tinto
s9(2)(a)

Kia ora Alf

On behalf of my colleagues Hon Megan Woods and Hon David Parker, I wish to thank you for your continued engagement regarding the future of the Tiwai Point aluminium smelter.

We were encouraged to learn that the smelter would continue to operate until the end of 2024, with the acceptance of Meridian's electricity offer. Securing an economic window to extend the smelter's operations is a good outcome for the employees of the smelter and the wider Southland community as it provides both much-needed economic certainty and time for a Just Transition. It is my expectation that this also provides Rio Tinto with sufficient time to plan and ensure that the site is remediated to the standard New Zealand expects.

Regarding your proposal to the Crown negotiating team on 25 January 2021, we were again disappointed that your approach did not address the remediation activities and outcomes which we have repeatedly outlined as a non-negotiable bottom line for the Crown.

As I outlined in my letter of 15 December 2020, the New Zealand Government is concerned about the lasting environmental impacts of the smelter's operations. In particular, we are concerned about how the hazardous Spent Cathode Linings (SCL) will be dealt with, your plans for adequately addressing the existing unlined landfill, and what contamination may be present in land and water under the smelter itself. They are serious environmental issues, potentially exacerbated by rising sea levels. Any future agreement with the New Zealand Government must adequately address these pressing environmental concerns.

I acknowledge the issues NZAS perceives with the Transmission Pricing Methodology (TPM). The anticipated changes to the TPM will provide improvements including the Prudent Discount Policy and this is the appropriate avenue to address the smelter's transmission charges.

Throughout negotiations the Crown has requested material information about the environmental state of the site as well as commitments from Rio Tinto on remediation activities and outcomes. My officials have kept me apprised of developments and it is unfortunate that NZAS does not have or is not able to share critical site information or make environmental remediation commitments at this time. As a consequence we have allocated \$300,000 to Environment Southland to carry out on-site investigation. We ask that you cooperate with Environment Southland in their discharge of their legal duties and rights to investigate.

We understand that your closure planning process is at a nascent stage but are encouraged to hear that NZAS' Closure Study is progressing. When this work is further advanced, and

material outputs are shared with the Crown, both parties will be better informed regarding the environmental state of the site and the remediation activities that you will undertake.

Once we have clarity about the environmental remediation required, and certainty about how you will achieve this, including treatment of the SCL and the unlined landfill, we may then be able to make real progress towards an agreement. I have instructed my officials to defer negotiations until you are able to make firm environmental commitments regarding the SCL and landfill.

In making this decision I have considered the work we both have to do – NZAS completing its Closure Study, and the Crown preparing for Southland's Just Transition when the smelter exits in 2024.

In the meantime, Crown officials from the Ministry for the Environment and the Ministry of Business, Innovation and Employment will continue to engage with NZAS' Closure Study processes with dual goals: to support a regionally led Just Transition and to ensure that remediation requirements are understood and undertaken. The New Zealand government will, in parallel, undertake our own work to better understand the state of the smelter site and the actions that are required to restore it, including ongoing engagement with local stakeholders.

Finally, thank you for your letters to Ministers on 18 February 2021. Congratulations on your promotion to Chief Commercial Officer at Rio Tinto, we look forward to working with your successor, Ivan Vella, in due course.

Yours sincerely



Hon Grant Robertson
Deputy Prime Minister

Cc: Hon Dr Megan Woods, Minister of Energy and Resources
Hon David Parker, Minister for the Environment



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31 March 2021

Hon Grant Robertson, Minister of Finance

Grant.Robertson@parliament.govt.nz

Cc:

Hon Dr Megan Woods, Minister of Energy and Resources

Hon David Parker, Minister for the Environment

Freepost Parliament

Private Bag 18 888

Parliament Buildings

Wellington 6160

Dear Deputy Prime Minister Robertson,

I have recently been appointed Chief Executive of Rio Tinto's Aluminium product group, taking over from my colleague Alf Barrios. Alf and his team have briefed me on Rio Tinto's New Zealand Aluminium Smelter (NZAS), its operations, history and recent engagements with the New Zealand Government. We thank you for your recent letter dated 5 March 2021.

The last two years have been turbulent for the Southland community, Ngāi Tahu, our employees and your government, following our strategic review and initial announcement to cease operations. Pleasingly we managed to agree terms with Meridian for the continuation of a power agreement and our operations, enabling the ongoing economic contribution and jobs for the next four years.

It is clear, however that we have not met your expectations in terms of our ability to share information regarding how we would close NZAS, and remediate the site upon closure. I want to assure you we will work closely with your government, the community and regulators, and to ensure you are a central part of the closure study process.

I understand one of the first areas to improve is the provision of information and commitment on the management of spent cell lining (SCL), the nature and condition of the soil and groundwater on the site, and the related treatment of the landfill.

- With regard to SCL, I can commit that we will remove all spent cell lining, to be recycled, or disposed of, safely and securely offsite in accordance with modern standards. We are currently surveying the material to confirm all data relevant to finding the best removal option.
- On both the landfill and the soil and water conditions, we have undertaken continuous monitoring of these locations and can commit to sharing that monitoring data with you to show conditions and trends.
- We have also engaged experts on a new sampling program specific to forming closure remediation options, program details of which we have been sharing with Environment Southland. A further 238 samples have recently been taken around the site.
- The analysis and assessment of those samples is underway now and we commit to sharing this data with you with a view to fully understanding site conditions and thus the remediation options, in partnership with your government, Environment Southland and Ngāi Tahu.
- I note site visits were not accommodated late last year. I want to be clear that you are very welcome to visit the site at any time that is convenient to you. We have recently welcomed

Environment Southland on a visit to the site on 23 March, and extended invites to your offices and officials.

- I am also engaging directly with Ngāi Tahu, as I want to ensure they are closely involved in the closure discussions. My team in New Zealand is also in frequent contact with the four hapū collectively working as Te Murihiku.

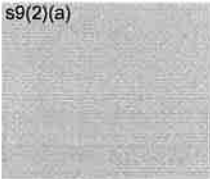
Rio Tinto, and I personally, want to assure you when it comes time, we will close the smelter in a responsible and sustainable manner, meeting international closure standards. We want to make sure the community is confident in the way we deal with any contamination on the site, how waste will be managed and disposed of and address any environmental concerns about an operation that has been part of the community for 50 years. We recognise that over time, community and regulatory expectations evolve, and we will ensure our closure processes and outcomes are transparent and meet the needs of today.

I am grateful for the opportunity to meet you this week, and have the opportunity to hear more about your concerns and expectations first hand. I am also happy to make further time to provide a briefing on our approach to closure in as much detail as you would find useful. Naturally we have to work very collaboratively with your team and the broader group of government agencies throughout the closure process. One of the early steps we need to take is to establish how best to provide the information you require and how best to involve the New Zealand Government in our closure process.

I will continue to working closely with our local team at NZAS and the broader Rio Tinto team in the region to ensure we fully re-align the efforts and engagement to address your concerns. I am committed to rebuilding an ongoing collaborative and positive working relationship with the New Zealand Government. Should you have any concerns please reach out to me (s9(2)(a)) directly so they can be immediately addressed.

Yours sincerely,

s9(2)(a)



Ivan Vella
Chief Executive
Aluminium