

## Supporting a Just Transition in Southland

- **Negotiate an extension to the proposed closure of the Tiwai Point Aluminium Smelter, with bottom lines on jobs and site remediation**
- **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**
- **Expand the Just Transitions unit to work with other regions, with an immediate focus on Southland**

Southland has a proud history as one of New Zealand's most productive regions. In 2019 Southland's GDP per person sat at \$63,000 compared to a national average of \$62,000. 72.2 percent of Southlanders are in paid work compared to 66.6 percent nationwide.

In Labour's first term, we've had a particular focus on supporting our regions to thrive with investments in infrastructure and critical services. In Southland, this has included \$72 million through the Provincial Growth Fund in projects such as \$19.5 million for the Invercargill inner-city redevelopment, \$8 million for realising the vision for Southland aquaculture and \$3 million for Stewart Island wind power. The Infrastructure Reference Group also provided \$66 million for shovel ready projects in Southland to grow jobs and get the economy moving. We're also upgrading local schools with \$7.3m invested via the New Zealand Upgrade Programme. Seven local schools have also recently received additional funding to have their coal boilers replaced with clean energy alternatives.

We understand our regions are vital to New Zealand's economy and recognise the important role they have in supporting our recovery from the Covid-19 crisis. Labour's five point plan will protect jobs, grow trade and boost the economy to ensure New Zealand is heading in the right direction and ensure our regions continue to thrive in the coming years.

The Tiwai Point Aluminium Smelter has been a major employer at the heart of the local Southland economy since 1971, providing high paid jobs and wider economic and social benefits. But for decades there has been a sense of inevitability that the Aluminium Smelter would not be around forever and, in more recent years, the repeated suggestions of a potential closure have created significant uncertainty. That's why Rio Tinto's announcement earlier this year that the Aluminium Smelter would close in August 2021 was seen by many as somewhat inevitable, if not extremely disappointing.

Southland has been implementing their economic plans and preparing for the future through diversification. That doesn't lessen the sense of uncertainty or concern generated on the back of Rio Tinto's announcement. Labour understands this and wants to support Southland in the wake of the decision, both by working with Rio Tinto on the timing of their closure plans and on working with the workforce, Iwi and wider community on the longer term future of the region.

### **A fair transition for Southland**

Labour is committed to supporting Southland in the wake of Rio Tinto's decision to close the Aluminium Smelter. We recognise the announcement has created significant concern and uncertainty among the local community and in particular, for the workers and their families. Labour wants to ensure the local community and the smelter workforce can transition to new opportunities and industries in the least disruptive manner possible.

We've been clear in Government that there will not be any further direct subsidies for Rio Tinto to continue operating the Aluminium Smelter. This is a position taken by successive governments since former Finance Minister Bill English told Rio Tinto in 2013 there would be no further taxpayer money offered up.

But Labour also recognises the importance of an orderly closure over time, both to enable workers, Iwi and the local community to plan for what comes next and to avoid a sudden increase to transmission prices for other electricity users around New Zealand that would occur if the smelter closes. That's why we are willing to negotiate with Rio Tinto on a more managed exit.

- **Labour will negotiate an extension to the Tiwai Point Aluminium Smelter closure, with bottom lines on jobs and site remediation**

Rio Tinto has said the Tiwai Point Aluminium Smelter is no longer viable given high energy costs and a challenging outlook for the aluminium industry. This announcement followed extensive negotiations between Rio Tinto and Meridian Energy on the price the Aluminium Smelter is paying for electricity it uses. Despite these negotiations, Rio Tinto's position is that the Aluminium Smelter's transmission charges are also unsustainable at current levels.

Our electricity transmission system works by distributing the costs associated with maintaining the grid across electricity users and the methodology for determining how these costs are apportioned is currently being updated. Rio Tinto's position is that they pay a disproportionate amount for the transmission infrastructure across New Zealand, given they obtain most of their electricity from the nearby Manapouri hydroelectric power station.

The new Transmission Pricing Methodology will go some way to rebalancing transmission costs across the country and reduce the total amount the Aluminium Smelter pays, but these changes have not yet come into effect and even then, Rio Tinto has stated that the reductions will be insufficient to allow them to continue operating.

Because of the way transmission costs are distributed, if the Aluminium Smelter closes in August next year as announced, all transmission charges they currently pay would need to be immediately redistributed to other businesses and consumers. We recognise there is value in enabling a longer lead time for this redistribution, to keep power prices for other users stable in the coming years.

Labour also wants to allow time to establish new industries in Southland following the closure, providing confidence that there are new economic opportunities that will support the region in the years to come.

Finally, we believe it's important that the remediation plans for the site are well understood and advanced by Rio Tinto as part of the closure. New Zealanders have an expectation that industrial sites like Tiwai Point are returned to their previous state, with no lasting environmental damage. We expect that Rio Tinto will do the right thing and fully remediate the site. An extended closure period will allow Rio Tinto to ensure remediation plans are comprehensive and enable some work to begin. We also expect Rio Tinto to take responsibility and deal with the aluminium dross by-product from its processes, both at Tiwai Point and other sites around Southland including the Mataura paper mill.

For these reasons, Labour will negotiate with Rio Tinto to extend the closure. Negotiations will be focused on establishing a fair price for the transmission costs paid to Transpower by the Aluminium Smelter. This could be facilitated by the Government providing support to Transpower to enable reduced transmission charges over the closure period while avoiding

a redistribution to other electricity users. The final negotiation of transmission pricing is commercially sensitive so details will be released as appropriate.

Conditions for that support will include:

- A commitment to continue operating for the agreed period of time;
- Work on remediation;
- Maintaining employment at the site;
- Working with the Government on future use of the site.

A period of about three to five years would give the workers, Iwi, local community, Government and other stakeholders more time to engage on plans for the future of Southland's economy. We're already hearing from a range of other energy users interested in setting up in Southland, such as for hydrogen production, data centres, or solar panel production. There are also opportunities to use that energy to reduce the amount of fossil fuel usage in the energy system such as replacing coal boilers with using electricity from the grid. Our clean energy plan will help enable these opportunities. More information is available [here](#).

Labour is clear that any reduction in transmission charges must be fair, not just for the Aluminium Smelter, but also for New Zealand. If our bottom lines are not met, or agreement cannot be reached on a fair transmission charge for the extended closure period, we will immediately pivot our focus to supporting the workforce and region should Rio Tinto decide to proceed with their original closure date next year.

### **Ensuring a Just Transition across New Zealand**

The Covid-19 economic recovery represents a once in a generation opportunity to reshape New Zealand's energy system to be more renewable, affordable and secure, while creating new jobs and developing the high skill workforce our future economy needs to thrive. This has to be something New Zealand does together to ensure no one is left behind.

Labour is committed to ensuring we are preparing our workforce for the future, not only through the establishment of the Just Transitions unit within the Ministry of Business, Innovation and Employment, but by investing in new initiatives such as Ara Ake (formerly known as the National New Energy Development Centre) and the Taranaki 2050 Roadmap in Taranaki. We're also investing in more apprenticeships, trade training and reforming our vocational education sector.

We're proud of the progress we've made on Just Transitions in our first three years. The Just Transitions unit has been working closely alongside local Taranaki leaders to begin work on the region's transition away from fossil fuel, with the hosting of the Just Transitions Summit in 2018 and ongoing engagement and support around the region's economic development plans. We want to expand this successful approach to other regions, including Southland.

Labour will work with the local Southland community on developing industries and a future economy that isn't put at risk every time there is volatility in international commodity markets or the profit margins of a multinational corporation. We want to establish new industries that are future focused and will integrate into the local community, providing a source of well paid jobs for current Southlanders and future generations

- **Labour will expand the Just Transition unit to support regions beyond Taranaki as they navigate the transition to a low emissions future.**

Labour will expand the Just Transition unit within MBIE with an additional \$5 million per year, to enable us to work with more regions. This represents a significant expansion and will boost the unit's capacity as well as enable the unit to support local capacity and capability in the regions. We'll start by working with Southland, to ensure the region is prepared for the eventual closure of the Aluminium Smelter.

This commitment builds on our regional economy policy that will invest \$200 million in a Regional Strategic Partnership Fund to support economic development plans developed by regions. Working collaboratively with the regions through our Just Transitions unit and supporting them with direct funding via our \$200 million fund will help build on existing competitive advantages and support more sustainable, productive economies over the long term.

As part of our response to the proposed closure of the Aluminium Smelter, we will task the Just Transitions unit with spending the next year working with businesses, stakeholders, Iwi and members of the community in Southland to further develop their regional economic plans and specifically identify opportunities following the closure. This work will include:

- looking at what options there are for the Tiwai smelter site,
- how we can make best use of the energy freed up by the smelters closure,
- how we can support the workers at the smelter to transition into new roles,
- how we can refocus businesses reliant on the smelter into new opportunities,
- and how we can support businesses throughout the Southland region to create new jobs.

The Just Transitions unit will work closely with the Ministry of Social Development to support Southland as part of the closure process. The Ministry has strong existing links with the local community and industry and has already started working with the local community on the back of Rio Tinto's announcement and we anticipate that career counselling services and flexi wage subsidies could be deployed to assist in helping workers directly affected transition into new opportunities.

Expanding our Just Transitions unit, alongside support from other Government agencies, will help ensure that when the smelter does close the transition is smooth and we are able to support the local community. It also means the Southland region can come through the closure as a stronger region with more jobs and improved wellbeing for their communities.