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Canberra weighs up smelter bailouts

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The Albanese government told major industry players it will consider investments or stakes in Australia's ailing metals smelters, but remains wary of hefty rehabilitation bills as pressure grows for a national solution to rescue the struggling sector.

The nation's biggest smelter owners – including Glencore, BlueScope, Nyrstar and Rio Tinto – attended a minerals and metals processing meeting in Sydney on Thursday, convened by Minister Tim Ayres.

Glencore, which wants a federal package to safeguard the loss-making Mount Isa copper smelter and a linked refinery at Townsville, could resume talks with the federal government as soon as Friday over a potential bailout. Glencore and the Queensland government have not revealed details of the assistance package the state has put on the table. There is speculation it could include the cost of a smelter rebrick, payroll tax relief and a rail subsidy, but is not enough to save the operations without a much bigger intervention by the Commonwealth.

Sources said the government may tap the \$15bn National Reconstruction Fund Corporation to invest in propping up the smelting sector, with tweaks to

the mandate of the fund possible to reflect the urgency of the issue.

However, it is understood the federal government is wary about being stuck with big rehabilitation liabilities if it becomes too involved by taking equity stakes in ageing smelters and refineries.

Executives who attended the meeting included BlueScope chief executive Mark Vassella, Glencore's Australian metals executive Troy Wilson and Nyrstar boss Matt Howell.

Queensland's Mines Minister Dale Last has warned the viability of small copper mining operations in regional Queensland could be at risk if the federal government fails to offer Glencore a bailout package to keep its smelter working.

"The Crisafulli government is continuing to advocate for a co-ordinated national response to the mounting pressures facing the metals and minerals manufacturing sector, which threaten smelters and processors in both Queensland and the southern states," Mr Last said in a statement on Thursday.

"I have reaffirmed with Minister Ayres the national importance of the continued operation of the Mount Isa copper smelter and the timeframes around reaching a resolution, because we back the

hardworking Queensland families whose livelihoods depend on a strong metals processing sector."

Nyrstar engineered a \$135m rescue deal this week for its Hobart zinc and Port Pirie lead smelters, while BlueScope is leading a heavyweight international consortium in a bid to acquire Sanjeev Gupta's failed Whyalla steelworks in South Australia.

The Rio Tinto-owned Tomago aluminium smelter has also been in talks for a financial lifeline with state and federal authorities.

Nyrstar said the roundtable meeting was an important step toward developing world class refining of strategic and critical metals in Australia.

"We believe this requires collaboration, alignment with strategic interests of Australia and its allies, an integrated approach from mining to refining and demand-led unlocking of public and private investment," Mr Howell said in a statement.

Glencore chief Gary Nagle scoffed on Wednesday at suggestions the miner should cross-subsidise the copper smelter and refinery by tapping into its profitable coal mining business.

Mr Nagle cited its wages bill, investments, tax payments, operating capital spend with local businesses and multiple billion-

dollar investments in the pipeline.

The copper impasse has parallels to what played out last year in nickel between the government and BHP.

BHP opted to mothball its loss-making nickel mines, smelter and refinery in WA, the state where it has made huge profits from iron ore for decades.

Glencore's Murrin Murrin operations are the last nickel operations still standing in Australia apart from IGO's Nova mine scheduled to wind down by the end of next year.

The Murrin Murrin mine slipped into loss-making territory in the six months to June 30, but Mr Nagle said it was not at imminent risk of closure and he expected a turnaround in performance.

"We have no plans to close Murrin Murrin," he said. "We're not the kind of company that we have one half that doesn't make some money, and we're going to threaten to close these things down."

"It's very different to Mount Isa, which is a structural change in the market."

"It's been losing money for some time, and forecast to lose money for many years to come, and therefore we cannot run that under the current circumstances."



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Mr Last said action was needed for the state.

“The Mount Isa copper smelter and Townsville copper refinery are strategic national assets at the heart of Australia’s metals manufacturing capabilities,” he said.



Nagle