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STANDOFF OVER ELECTRICITY BILL

Hobart Mercury, Hobart

Bell Bay Aluminium is cash strong as it seeks long-term power agreement to remain viable

STANDOFF OVER ELECTRICITY BILL

Nick Clark

Financial statements for the Rio Tinto Bell Bay Aluminium smelter show an operation that is cash strong, operationally stable, and dependent on securing a long-term power contract to remain viable, according to financial analyst John Lawrence.

Mr Lawrence said the smelter generated net cash inflow of $142.5m for the 2025 year.

"It was one of its strongest cash years in recent history," he said. "It paid down debt and finished the year with $76.6m in cash."

The outstanding result comes as Hydro Tasmania and the company are in a standoff over an electricity contract for the period after December 31, 2026, and the Tamar Valley community reels from the loss of the Liberty Bell Bay manganese smelter.

Hydro Tasmania CEO Rachel Watson says that it cannot go any lower in the electricity price it offers Bell Bay Aluminium without becoming uncommercial.

"Additional government support may be required to bridge that gap, as we've seen provided for mainland aluminium smelters," she said.

A spokeswoman for federal Industry and Innovation Minister Tim Ayres said the Commonwealth continued to work productively and collaboratively with state governments and facility owners.

"Where there is a partnership with the state, committed owners and a commercial plan for a long-term future, the Commonwealth has acted decisively in the national interest," Senator Ayres said.

The federal government and Queensland government jointly provided $1bn to keep open Rio Tinto's Boyne Island aluminium smelter.

An announcement on a joint federal and NSW government support worth $300m a year for Rio Tinto's Tomago aluminium smelter is expected soon.

The financial statements show that Bell Bay's receipts from customers increased from $523m in 2024 to $681m in 2025.

"The jump in receipts was mainly due to internal payments within the Rio Tinto group, rather than higher aluminium prices or external customer demand," Mr Lawrence said.

"Bell Bay does not sell aluminium, rather it converts alumina into primary aluminium on behalf of Rio Tinto Bell Bay Sales Pty Ltd, which owns the metal and sells it. The strong cash flow was materially boosted by an $89m inter group settlement, rather than external customer receipts."

Mr Lawrence's analysis coincides with the super profitable parent company Rio Tinto reporting on Thursday a significant step-change in performance for the first half of 2026.

The company's underlying EBITDA (earnings before interest, taxes, depreciation and amortisation) increased 28 per

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cent to $14.8bn for the half year.

Rio Tinto's aluminium division received a 39 per cent increase to an average of $4343 a tonne in the first half of 2026.

The Bell Bay cash flow result was separate to the $14m loss for the year on its profit and loss statement – down from $24m profit in 2024.

"Bell Bay's profit was heavily affected by noncash accounting items such as depreciation of $67m, $14.9m derivative movement on non cash fair value adjustments on intra group pricing and currency hedging," Mr Lawrence said. "Bell Bay does not take aluminium price risk."

The company paid $19.4m in tax despite reporting the accounting loss.

Mr Lawrence said the Bell Bay smelter would have a large rehabilitation obligation if it ever closed down.

"Bell Bay carries a rehabilitation provision of $338.6m. This is the estimated cost of cleaning up the site if the smelter ever closes," he said.

The accounting treatment of the rehabilitation provision made Bell Bay's profit look weaker than its cash flow, even though the smelter remained cash strong and debt free, he said.

Mr Lawrence said the smelter, which employs 504 people, needed long-term energy certainty, predictable pricing and a contract that allowed it to remain internationally competitive.

"Hydro Tasmania also needs certainty and the smelter is one of its largest customers," he said.

Mr Lawrence analysed Bell Bay smelter's financial statements and report, which was submitted to the Australian Securities and Investments Commission.

BBA's financial statements say that there are a number of potential outcomes that could result from the electricity agreement negotiations.

"These outcomes include the continued operation of the smelter beyond December 31, 2026," the report says. "However, the outcomes also include that new electricity agreements are not successfully negotiated, which may lead to cessation of smelting activities and ultimately potential closure of the smelter."

Goanna Energy Consulting principal consultant Marc White said his speculation was that BBA pays about 4 cents a kilowatt hour for electricity and 1 cent a kilowatt hour for transmission.

"Our best estimate is that the smelter pays about $125m a year for energy," he said.

Hydro Tasmania returned a dividend to the Tasmanian government of $122m in 2023-24, money that is used to help fund schools, hospitals, and infrastructure.

In 2024-25, the dividend fell to just $4.7m after profitability dropped from $193m to $7.5m.

Liberal Senator Richard Colbeck says that after being excluded from the Green Aluminium Production Credit scheme and seeing the support for Tomago it was time for the federal government to step up.

"The Tasmanian government, through Hydro Tasmania, is already supporting Bell Bay Aluminium with energy prices that are half what Tomago are paying in NSW," he said. "The Tasmanian government has repeatedly indicated it is willing to play its part in securing a new power agreement. What has been missing is a willing partner in Canberra."

Business, Industry and Resources Minister Felix Ellis said this week Bell Bay Aluminium paid about a quarter of what a Tasmanian household paid per unit for power.

Tasmanian tariffs vary between 21.1 and 27.9 cents per kilowatt hour for residential heating and hot water, and light and power.

Premier Jeremy Rockliff said recently that an AI data centre being built by Firmus Technologies in Launceston, expected to use 104 megawatts, would pay "more for their power than our major industrials currently are".

"That helps Tasmania's bottom line," he said.

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>
> **Rachel Watson**
> **Hydro Tasmania**

Workers (right) at the Bell Bay Aluminium smelter on the Tamar River (main picture). The smelter is yet to secure a power contract with Hydro Tasmania. Pictures: Bell Bay Aluminium, Ross Marsden and Rob Burnett

Rachel Watson

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