Meridian.

Release

Stock Exchange Listings NZX (MEL) ASX (MEZ)

Meridian and NZAS Sign Long Term Contracts

31 May 2024

Meridian Energy and New Zealand's Aluminium Smelter (NZAS)[1] have signed a package of conditional 20-year contracts for part of the NZAS Tiwai Point aluminium smelter's electricity needs. The package includes a long-term fixed price contract for wholesale electricity price cover and a significant demand response agreement.

Meridian Energy Chief Executive Neal Barclay says the agreement is an excellent result after many years of hard work.

"This is a fantastic outcome for New Zealand and the Southland region. It's further proof that large industrial businesses can utilise New Zealand's renewable energy advantage and create low carbon sustainable products, high value jobs and export dollars for our country."

"We are very pleased that the NZAS team have adopted a more flexible approach toward their operations. The demand response element of this new agreement is groundbreaking, not only for this country but globally. The level of flexible demand offered by NZAS will support the electricity system to become even more renewable, while relying less on coal and gas when the hydro lakes are low."

Mr Barclay says the contracts are also a good result for Meridian.

"This new package of contracts is commercially sustainable and delivers value for our shareholders, so we are talking a real win-win here. The NZAS decision to extend the smelter life removes significant uncertainty for the electricity sector, which also helps pave the way for new renewable energy to be built."

Meridian will now consider implications on future pipeline investment and dividend policy. An update on the dividend policy can be expected at Meridian's full year results briefing in late August.

Key terms of the long-term contracts include:

- 377 MW base load volume from 2025
- pricing that begins 1 July 2024 with a 20-year term, up to and including 31 December 2044
- four demand response options, ranging from 25 MW to 185 MW – an upper limit that roughly equates to one of Huntly's Rankine units. Three quarters of a called option will come off Meridian's contracted volume

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[1] NZAS is a joint venture between Rio Tinto (79.36%) and Sumitomo Chemical Company Limited (20.64%)

A maximum of approximately 800 GWh of demand response is available in any given year, with an average of approximately 400 GWh per annum over the 20-year term of the contract. This will be valuable during periods of low lake inflows, providing critical dry year cover to the electricity system.

The new arrangements will replace all the current arrangements between Meridian and NZAS, with the current arrangements terminating when the new arrangements take effect.

The contracts are conditional on satisfaction of conditions precedent, which include regulatory approval from the Electricity Authority. If approval is given, the contracts will take effect from the later of 1 July 2024 and the date Meridian confirms to NZAS that all conditions precedent are satisfied or waived. If conditions precedent are not all satisfied or waived before 31 December 2024, the contracts will not come into effect.

NZAS has provided Meridian with a letter setting out their commitment to environmental remediation of the smelter site, including details of their work to date with key stakeholders. A copy of the environmental remediation letter accompanies this release.

A copy of the long-term electricity contract, the demand response agreement and the other related conditional contracts signed by Meridian and NZAS are available here. A summary of the key terms of the long-term electricity contract and the demand response agreement accompanies this release.

ENDS

Neal Barclay
Chief Executive
Meridian Energy Limited

Investor & Media Briefing

Neal Barclay and Meridian CFO Mike Roan will host an investor and media call via Microsoft Teams at 11am NZST (9am AEST) today. This will include an opportunity to ask questions. Click here to register for this call. Pre-registration is required to attend.

Please note:

- For the Q&A, guests will be required to raise their (virtual) hand if they wish to ask a question. This will place you in the queue. When invited to ask your question, you will need to unmute your microphone. There will be no chat available for written questions.
- When you join the meeting, your name will appear to all meeting participants.
- The call will be recorded and a replay posted to the investor presentations page of the Meridian website. Meridian's Privacy Policy applies.

Media Interviews

Mr Barclay also has limited availability for media interviews from 9.45am to 10.30am NZST. See media contact below.

Background

- On 23 October 2019, Meridian was advised by the New Zealand Aluminium Smelters Limited's (NZAS) major shareholder Rio Tinto, that it intended to initiate a strategic review of the Tiwai Point Aluminium Smelter.
- On 9 July 2020, Rio Tinto gave notice it was terminating the contract with Meridian relating to the Tiwai Point Aluminium Smelter, with effect on and from 31 August 2021.
- On 14 January 2021, Rio Tinto accepted new short term 'staged exit' contract terms offered by Meridian, effective from that date through to 31 December 2024.
- On 28 July 2022, Meridian noted NZAS's statement that they had begun exploring potential pathways for the smelter to remain operational after December 2024 and announced that it would engage in contract negotiations with NZAS as part of the process.

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Meridian.

NZAS Contract Announcement

31 MAY 2024

New Zealand aluminium smelter, Tiwai Point, Southland

Today's announcement

- Meridian Energy and Rio Tinto have conditionally signed a package of long-term contracts for part of the NZAS[1] Tiwai Point aluminium smelter's electricity needs.
- The package includes a long-term fixed price contract for wholesale electricity price cover (**Base Contract**) and a demand response agreement.
- The Base Contract includes the following elements:
  - sustainable pricing that begins 1 July 2024,
  - a 20-year term, up to and including 31 December 2044,
  - 377 MW base load volume from 2025.
- The demand response agreement gives Meridian four demand response options that incentivise the smelter to reduce consumption, in blocks ranging from 25 MW to 185 MW.

[1] NZAS is a joint venture between Rio Tinto (79.36%) and Sumitomo Chemical Company Limited (20.64%)

Today's announcement

- The contracts are subject to satisfaction of conditions precedent, including:
  - NZAS agreeing terms with other parties, and
  - Regulatory approval from the Electricity Authority.
- Effective Date is the later of 1 July 2024 or the satisfaction of conditions precedent. If the contracts take effect, regardless of the Effective Date, the pricing is backdated to 1 July 2024.
- Conditions precedent must be satisfied before 31 December 2024, unless waived.

Meridian NZAS contracts – further detail

<u>Base Contract for difference</u>

- 472MW from Effective Date to 31 December 2024.
- 377MW from 1 January 2025.
- New pricing from 1 July 2024 with annual price escalation based on CPI from start of 2028, conditional on LME Aluminium Prices in the previous year being higher than the year before the previous year.
- Term of 20 years to 31 December 2044. However, NZAS may provide 2 years' notice of termination any time from 31 December 2032 onwards but must make an irrevocable payment of $180M to Meridian when providing that notice.
- Aggregate of $235M (first 10 years of term) and $180M (remainder of term) in prudential support to Meridian in parent company and bank guarantees.

Meridian NZAS contracts – further detail

Demand response contract

- Flexible demand response with four demand options exercisable by Meridian. An exercised demand option reduces the volume of cover provided by Meridian under the Base Contract by the demand option volume.
- The sizes of the four demand options are 138.75MW, 75MW, 37.5MW, 18.75MW.
- Exercise of a demand option will incentivise NZAS to reduce consumption by 185MW, 100MW, 50MW or 25MW (as applicable).
- Payment of half of the annual premium depends on NZAS's compliance with demand response calls.
- Strike price payable based on actual reduction.
- Annual price escalation based on CPI from start of 2028, conditional on LME Aluminium Prices in the previous year being higher than the year before the previous year.
- Term of 20 years as per the Base Contract and terminates automatically on termination of Base Contract.
- Maximum of approximately 800 GWh of demand response is available in any given year, with an average of approximately 400 GWh per annum over the term.

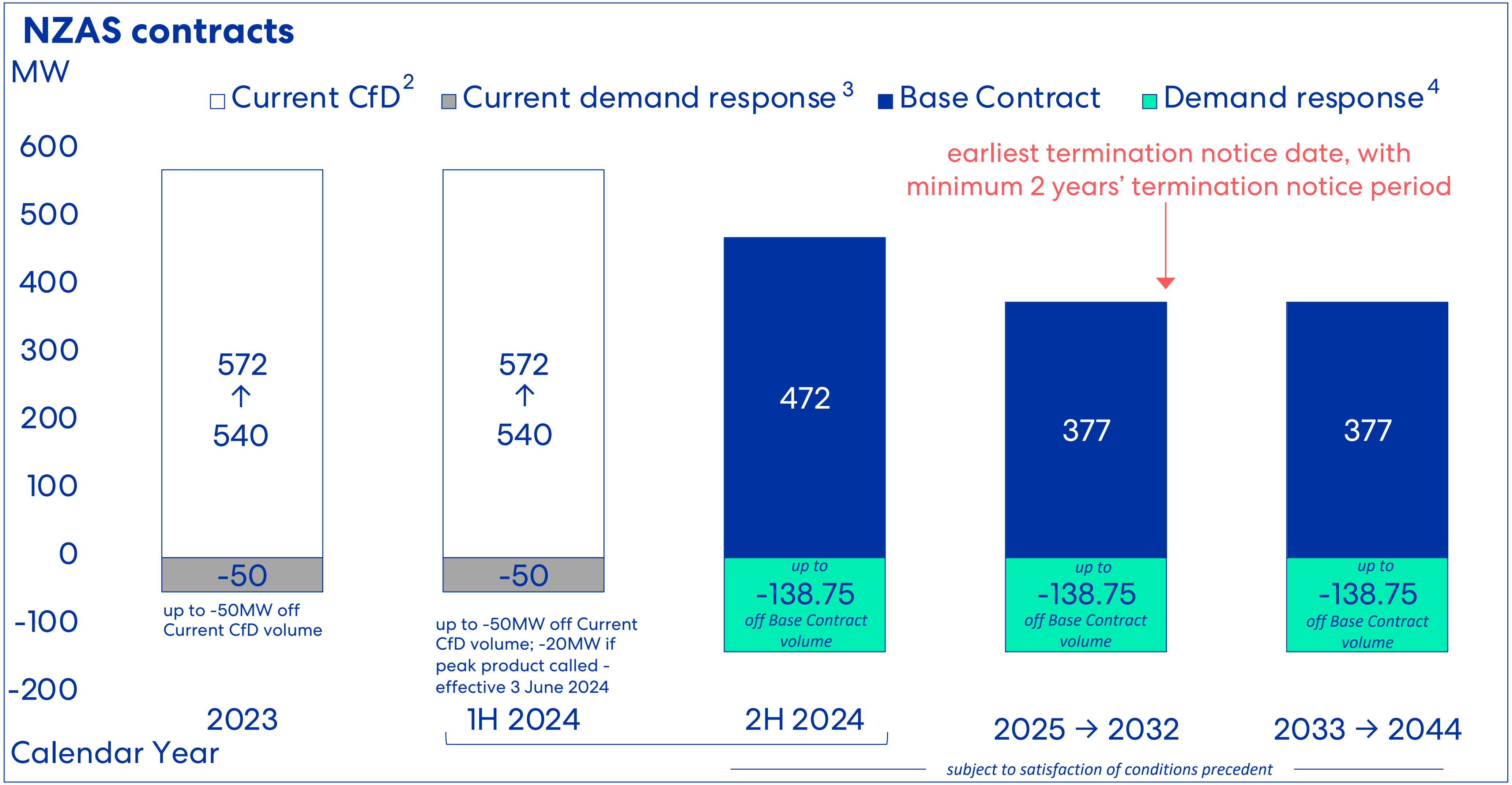
Meridian NZAS contracts – further detail

Demand response contract – summary of demand options

Option	Equivalent reduced consumption (MWh per hour)	Exercisable Reduction from Meridian demand response agreement (MWh per hour)	Usual Ramp-Down Notice Period	DR Period (equivalent number of days)	Usual Ramp-Down Period (equivalent number of days)	Usual Ramp-Up Notice Period (equivalent number of days)	Usual Ramp-Up Period (equivalent number of days)	Maximum Calls
1	25	18.75	3 Business Days	Minimum 10 days, maximum 150 days	5 days	3 days	15 days	Unlimited, but the Option cannot be exercised more than 4 times in any 12-month period
2	50	37.5	3 Business Days	Minimum 15 days, maximum 145 days	10 days	3 days	30 days	Unlimited, but the Option cannot be exercised more than 2 times in any 18-month period
3	100	75	3 Business Days	Minimum 22 days, maximum 137 days	18 days	5 days	100 days	The Option cannot be exercised more than 8 times over the Term
4	185	138.75	5 Business Days	Minimum 30 days, maximum 75 days	25 days	5 days	200 days	The Option cannot be exercised more than 4 times over the Term

Stand down periods apply between the exercise of options.

Meridian NZAS contracts



[2] Follows smelter load, with minimum volume of 540MW and maximum volume of 572MW.
[3] If called, the current demand response reduction volume of up to 50MW comes off the volume of the Current CfD between Meridian and NZAS. Meridian and NZAS have separately agreed an up to 20MW peak demand response agreement for winter 2024 (effective 3 June 2024).
[4] If called, the demand response reduction volume comes off the volume of the Base Contract between Meridian and NZAS.

Current arrangements

- The current arrangements between Meridian and NZAS, including the electricity agreement, 2023/2024 demand response agreement and 2024 peak demand response agreement will all terminate at midnight on the day before the date the new arrangements take effect.
- If the new arrangements do not come into effect, the current arrangements will expire at the end of 2024 at the latest (if they have not otherwise expired or been terminated earlier).

Closing comments

- This major milestone removes significant uncertainty for the people of Southland.
- The smelter's commitment to a long term relationship with New Zealand will facilitate the development of further renewable energy options.
- The demand response agreement is groundbreaking and will provide critical dry year cover, further supporting decarbonisation of New Zealand's economy.
- We also confirm our investor day scheduled for 24 and 25 June will proceed. You will hear more about this in the next few days.

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The information contained in this presentation should be considered in conjunction with the company's financial statements, which are available at:
www.meridianenergy.co.nz/investors

All currency amounts are in New Zealand dollars unless stated otherwise.