

South32 secures power agreement for South African Hillside smelter

A 10-year power supply agreement between South African utility Eskom and South32's Hillside aluminium smelter has been approved, providing price certainty for the energy intensive operation, the Australian-listed company said on Friday.



A sign adorns the building where Australian miner South32 has their office in Perth, Western Australia, 19 November, 2015. Reuters/David Gray/File Photo

The approval from South Africa's energy regulator secures energy supply until 2031 for the Hillside smelter, state-owned Eskom's largest industrial customer, under a rand-based tariff with escalations linked to South Africa's producer price index (PPI), South32 said in a statement.

This will replace the previous contracts, which were U.S dollar based and linked to the aluminium price on the London

Metal exchange

"Hillside has been a major Eskom customer for 25 years and this agreement provides power cost certainty for a further 10 years, with Eskom receiving a price aligned to long-term tariff policy," said South32 chief executive Graham Kerr.

South32 said the operating unit cost for the 2021 financial year will reflect the higher power charges from the new agreement.

The agreement will also allow Eskom to interrupt supply to the smelter during national power cuts.

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