

**Rio Tinto, Cahya Mata scrap US\$2b smelter project in Malaysia**  
**The Malaysian Insider**  
**March 27, 2012**

KUALA LUMPUR, March 27 — Rio Tinto, the world's third largest miner, and Cahya Mata Sarawak have scrapped plans for a US\$2 billion (RM6.1 billion) aluminium smelter project in Sarawak as power supply terms could not be finalised, CMS said in today.

Cahya Mata, a financial and construction conglomerate based in Sarawak, said both companies had worked to set up an aluminium smelter for years but could not agree on the commercial power supply terms with Sarawak Energy Berhad. CMS is owned by the family of long-serving chief minister Tan Sri Abdul Taib Mahmud (picture).

"As a result, Rio Tinto Aluminium (Malaysia) and Cahya Mata have agreed that they would cease to pursue plans to jointly develop an aluminium smelter at Samalaju in Sarawak but remain open to other future possible collaborations," Cahya Mata Group Managing Director Richard Curtis said in a statement.

The aluminium smelter was supposed to have an annual capacity of 1.5 million tonnes to meet surging demand from China and other developing economies.

But the project, which was first announced in 2007, had not gone beyond the planning stage due to delays in constructing Bakun dam — one of the world's largest hydroelectric dams — that would provide cheap power to energy-guzzling smelter.

Malaysia's government last year set a lower rate on the power generated from the Bakun dam in Sarawak, selling it to Sarawak Energy at RM0.0625 per kilowatt hour (KwH) with an expected increase of 1.5 per cent every year.

The new rate is within Sarawak's offer to buy electricity at RM0.05 and RM0.07 per KwH in order to secure investments from smelters for whom energy accounts for a third of costs.

Shares in Cahya Mata closed up 0.4 per cent while Rio's shares in London were up 1.7 per cent at 1050 GMT. — Reuters

The CMS-Rio Tinto project was the first of three such aluminium smelter projects announced in the past few years. Prime Minister Datuk Seri Najib Razak had said last June that the National Economic Council had approved the joint venture by 1 Malaysia Development Berhad (1MDB) and Abu Dhabi's Mubadala Development Company (Mubadala) to develop a RM12.7billion technologically advanced energy-efficient aluminium smelter.

The investment is expected to create more than 40,000 skilled jobs.

The other large smelter is between GIIG Holdings Sdn Bhd, a company controlled by billionaire Tan Sri Syed Mokhtar Al-Bukhary, and Aluminium Corp of China Ltd (Chalco), the world's second largest producer of alumina, have teamed up to jointly develop an aluminium smelter plant in Samalaju Industrial Park in Bintulu, Sarawak at the cost of US\$1billion.

The smelter plant will have an initial annual production capacity of 330,000 tonnes but it could rise to 1.25 million tonnes.

The only running smelter at the moment is Press Metal Bhd's 60,000-tonne plant in Mukah, which has been operational since November 2009. It uses about 10 MW of power that is supplied by Sarawak Energy Bhd.

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