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Albanese Government's Energy Policies Threaten Australia's Manufacturing Backbone

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The Albanese government's approach to handling skyrocketing energy prices amid its renewable energy transition has raised serious concerns about the future of Australia's major manufacturing sectors, particularly metal smelters. Industry leaders and experts warn that the current strategies risk undermining the nation's manufacturing capacity, with government interventions amounting to temporary fixes rather than sustainable solutions.

Industry Minister Tim Ayres has suggested that Labor might provide taxpayer funds and long-term loans to struggling aluminium smelters, which are crippled by soaring power

costs and trade pressures largely driven by China. Ayres claimed, as reported in *The Australian Financial Review*, that if such facilities didn't exist, governments would be working to establish them. However, many see this as a short-term band-aid rather than a viable long-term strategy.

Australia's largest aluminium producer, Tomago, owned by mining giant Rio Tinto, is reportedly seeking billions in financial aid from both the federal and New South Wales (NSW) governments. Tomago's challenge stems from high electricity prices combined with the limited availability of cost-effective, reliable renewable energy sources. Similarly, two smelters operated by the multinational company Nyrstar face severe financial strain, with losses reportedly reaching tens of millions monthly. Nyrstar's CEO has urged both state and federal governments for assistance.

Glencore's local smelters and refineries also face intense pressure, a major blow to the Albanese government's "Future Made in Australia" manufacturing vision. Zoe Hilton, policy analyst at the Centre for Independent Studies (CIS), criticized Labor's energy policies on SkyNews.com.au, stating that the government's commitment to a predominantly wind and solar grid is driving up electricity costs for smelters, threatening their survival. Hilton called the government's proposed equity injections and loans "band-aid solutions" that risk burdening taxpayers twice, once to support renewable energy projects and again to prop up industries crushed by escalating power prices.

Labor has set ambitious targets to transform Australia into a "renewable energy superpower," aiming for 82 percent renewable energy in the national grid by 2030. To support this, the government has proposed production tax credits for aluminium smelters like Tomago and committed \$2 billion to ease the energy transition. Yet, the manufacturing sector remains skeptical.

Innes Willox, chief executive of the Australian Industry Group (AI Group), warned that short-term bailouts cannot replace a comprehensive long-term strategy. Speaking to SkyNews.com.au, Willox emphasized the need to tackle fundamental issues such as energy infrastructure, workforce skills, and technology innovation. He also highlighted an upcoming productivity roundtable, led by Treasurer Jim Chalmers, as a critical moment for addressing manufacturing's challenges in Australia.

Soaring energy prices have hit the metals industry especially hard since the pandemic, with manufacturing gas costs increasing by 48 percent over five years. For trade-exposed

industries like metal smelting, these costs cannot simply be passed on to consumers, compounding the pressure on producers.

Nyrstar's CEO Matthew Howell recently called attention to unfair trade practices, explaining that China subsidizes companies to buy Australian raw materials at below-market prices, then processes and exports the finished metals under strict controls, undermining Australia's domestic smelting industry. Meanwhile, Glencore's head of corporate affairs, Cass McCarthy, expressed concern over the company's diminishing competitiveness amid high energy and labour costs, warning that multiple smelters and refineries across Australia are at a breaking point.

The NSW government, recognizing Tomago's importance as a major employer and contributor to the state economy, is in talks to support the facility, which consumes about 10 percent of NSW's power supply and produces 37 percent of Australia's aluminium. Premier Chris Minns noted the significance of the smelter for the Hunter region and the broader manufacturing sector but stressed that any intervention requires detailed commercial negotiations.

Rio Tinto's CEO Jakob Stausholm also voiced apprehension earlier this year about rising electricity costs, warning that power contracts extending beyond 2028 could render Tomago unsustainable.

The current scenario underscores the urgent need for a balanced energy policy that supports renewable goals without sacrificing Australia's manufacturing competitiveness. Without addressing the root causes of soaring energy prices and unfair international trade practices, government band-aid solutions will likely fall short, risking the future of critical Australian industries.