

[close](#) | [print](#)

Michael Aird, MLC
Treasurer

Monday, 5 May 2008

Sovereign Risk Agreement Signed

The Treasurer, Michael Aird, today announced that the State Government had signed a tripartite sovereign risk agreement with Forestry Tasmania and Gunns Ltd.

The agreement was negotiated between Forestry Tasmania, Gunns Ltd and Treasury relates to the wood supply agreement between Forestry Tasmania and the Company which was announced earlier this year.

Mr Aird said sovereign risk agreements were accepted practice in relation to investments of the magnitude of the pulp mill and had been negotiated at the bureaucratic level.

"The Liberal Green Government signed a sovereign risk agreement with Comalco in 1997 and the Liberal Government signed a sovereign risk agreement with Fletcher Challenge Paper in 1995," he said.

"A sovereign risk agreement was also signed by the NSW Government in relation to the Tumut pulp mill."

Mr Aird said the agreement provided for compensation of a maximum of \$15 million over the 20 year life of the Agreement.

"It is highly unlikely that any compensation will be paid under the agreement," he said.

"It will only be considered if both Houses of Parliament pass a law that directly results in Forestry Tasmania failing to supply wood under the terms of the Wood Supply Agreement.

"Even in this event there are a number of significant steps which the parties have to go through before reaching the compensation point or the amount of compensation being determined."

Mr Aird said he was releasing the details of the agreement despite an initial decision by the Crown Contracts Confidentiality Committee that it be kept confidential until financial close of the mill was completed.

"Given that it is now four months since the agreement was signed and financial close has not occurred I believe it is important that the agreement be made public," he said

"The agreement specifically provided for its release by the Government, and in accordance with the provisions of the agreement I have advised Gunns of my intention to publicly release the document."

It can be viewed at the Government tenders website www.tenders.tas.gov.au.

Further information: Tasmanian Government Communications Unit
Phone: **(03) 6233 6573**

*This site was designed and produced by Ionata and the Department of Premier and Cabinet.
The URL for this page is <http://www.media.tas.gov.au/print.php?id=23655>*