Hundreds of jobs at risk as Qenos reaches deal to sell manufacturing facilities to property developers

Qenos chief executive Stephen Bell at the company's plant at Altona outside of Melbourne. Picture: Nicki Connolly

EXCLUSIVE

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The Chinese owner of Qenos has struck a deal to sell the Australian plastics maker to property developers, heightening fears the chemicals major is about to close up shop in another big blow to the manufacturing sector.

News of the deal comes after The Australian revealed in February that Qenos was quietly drawing up plans to shutter its local operations by the end of the year, with the potential loss of 700 manufacturing jobs likely to add further pressure on the Albanese government amid a recent wave of industry and construction company collapses.

Documents filed with the corporate regulator show that China National Chemical struck a deal for the sale of Qenos shortly after The Australian's revelations, agreeing to sell its Victorian and NSW subsidiaries to $23bn industrial and logistics property developer Logos Group.

The value of Qenos's Altona and Port Botany industrial sites is believed to be at the centre of the deal rather than Qenos's operating business.

Separate documents seen by The Australian show Qenos's Chinese owner also pushed back a planned restart of the company's Port Botany operations in March amid a "corporate review", despite the completion of an estimated $60m rebuild of a cooling tower at the plant.

The cooling tower partially collapsed in February last year, putting the bulk of Qenos Sydney facilities out of action for a year as the tower was rebuilt.

Three lines of the manufacturing hub affected by the shutdown were due to return to production in March after completion of work on a new cooling tower, but the Qenos board halted the return to work after a visit from a delegation from the company's Chinese parent company.

Qenos runs major manufacturing plants in Altona and Port Botany, producing polyethylene products used across a broad range of industries, including food packaging as well as moulded plastic products such as water tanks and wheelie bins.

The company is one of Australia's biggest chemicals manufacturers, but has suffered from high gas and energy prices, and was a major victim of Exxon's 2021 closure of its Altona refinery, which cut off the supply of LPG to the company's nearby ethylene and polyethylene plants, forcing Qenos to mothball two of its four production lines.

In 2022, soaring gas prices – the result of Russia's invasion of Ukraine – coincided with the expiry of gas contracts supplying both its Melbourne plant and its Botany Bay facilities near Sydney, but a short-term fix offered by gas major Woodside expired at the end of last year and neither company would comment last month on whether the deal had been extended or whether Qenos was now buying gas on the spot market.

Qenos for years has been a vocal critic of the gas industry, and of Australian policy settings that failed to provide cheaper sources of energy for major manufacturers.

The deal with Logos is yet to be completed, and a price has not been disclosed. It is also unclear what purpose Logos might find for the sites, although the property developer is best known in the Australian market for developing logistics and intermodal transport transfer hubs across NSW, Victoria, Queensland and Western Australia.

A spokeswoman for Logos said on Wednesday it had been discussing a potential transaction with ChemChina for some time as the Chinese company explored "alternative options for the ownership of the Qenos business".

"An affiliate of Logos has entered into a conditional share sale transaction with an affiliate of the owner. There is no certainty that a transaction will eventuate, and timing for possible completion cannot at this stage be confirmed," she said.

But documents filed with the Australian Securities & Investments Commission hint at the depths of Qenos's financial problems.

As part of the deal, Qenos has been forced to borrow $15m from Logos to repay a secured loan and to give cash backing to bank guarantees extended by HSBC – in part to secure the release of shares held in favour of its bankers and allow the transaction to go ahead.

And the regulatory filings also suggest the environmental liabilities at the ageing industrial sites will also factor into the eventual sale price, should a deal come to fruition.

Under the deal, Logos will pay to remediate Qenos's environmental liabilities "up to a capped amount, whether or not the companies are able to recover any contribution from ChemChina".

Industry sources say both sites are likely to contain significant contamination from perfluorinated chemicals (PFAS) used widely as fire suppressants, as well as other legacy chemical contamination from the sites' use in the downstream petrochemicals industry.

The loan deal also includes security over Qenos's assets.

Qenos booked a $79.7m loss in 2022, according to the most recent financial statements filed to ASIC by the company. That followed a $320.4m loss the previous year, which came partly as the result of the company’s closure of several of its Victorian manufacturing lines in 2021.

Qenos did not respond to a request for comment.