Qenos owes staff $190m in entitlements, booked $659m loss before administrators called in

Qenos will keep its Altona plastics plant running at least until its ethane supply contracts run out under a funding agreement with its new owner, a property developer. Picture: AAP

By NICK EVANS
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Qenos was staring at an annual net loss of $659m when its Chinese owners sold the chemicals maker to a property developer, leaving administrators McGrathNicol just $18m in the kitty to run the company.

Qenos employees are owed about $190m in entitlements, according to court documents, with the Qenos plastics group entering administration with an asset deficit of more than $751m.

The figures are contained in a decision of Federal Court Justice Catherine Button, in a response to an application by McGrathNicol administrator Jason Preston for approval of a Qenos funding agreement with property developer Logos, which bought the chemicals group in mid-April.

Under the agreement, companies associated with Logos will advance the company up to $200m to pay ongoing monthly bills of $15m to $20m as McGrathNicol manages an "orderly wind-down" of its remaining operations.

Qenos called in McGrathNicol as administrators on April 17, shortly after owner ChemChina had closed the sale of the chemicals group to Logos.

The plastics maker runs manufacturing plants in Victoria and NSW. Workers were told its Port Botany site – which has been out of action for more than a year due to the collapse of a cooling tower – would not reopen.

McGrathNicol have previously said they would seek to sell other parts of the business, but the company's Altona site was likely to run for only the short-to-medium term.

Justice Button's decision shows that Qenos' life was already limited to the end of its offtake agreement with Exxon for the supply of ethane – used by Qenos to make plastic resins. That expires by the end of the year, but the ethane supply was likely to be used as fuel for Exxon's new gas power plant in Victoria, Hastings.

Ethane is a byproduct of Exxon's Long Island Point plant on Victoria's Mornington Peninsula. Qenos' use of ethane from the plant has been an important part of the Victorian energy system for decades – when Qenos is unable to accept delivery of the chemical, Exxon has occasionally been forced to reduce gas production from the Bass Strait.

But a nearby power station will be able to accept that ethane for fuel by 2024, potentially adding to Qenos' ongoing difficulties in finding a gas supplier.

Justice Button also noted the current offtake agreement highlighted the need for Qenos' Altona plant to stay open until the expiry of that agreement, however.

"If the Altona facility were shut down suddenly, and so could no longer take ethane from Esso's operations, this has a high likelihood of interfering with gas supplies in South Eastern Australia," she said.

“However, the Altona facility’s arrangements to take ethane from Esso terminate at the end of 2024, by which time Esso’s new power generating plant at Hastings will be operational and able to receive the ethane.”

The decision suggests that Qenos creditors will be asked to accept a deed of company arrangement in May, in which Logos will set aside cash to pay out employees and trade creditors, and keep the Altona plant running ahead of an eventual wind-down of operations. About 700 workers stand to lose their jobs in Sydney and Melbourne when its operations are finally wound down.

“Importantly, continuing the operations of the business in the short to medium term will allow for the retention of employees with critical knowledge of the operations and ability to manage the significant operational and environmental hazards,” Justice Button said.

In turn Logos will eventually receive the land owned by the company in Sydney and Melbourne, with “a view to remediating those sites and redeveloping them for industrial use”.

ChemChina has been looking for an exit from Qenos for at least 18 months. In early 2023 the Chinese state-owned chemicals maker hired PwC to find a buyer but, despite canvassing the cheap sale of the company with dozens of potential buyers, property developer Logos firmed as the most likely option by mid year.

The Australian revealed in April that Logos was conducting due diligence investigations on Qenos by July, hiring McGrathNicol to look over the chemical company’s cash flow and forecasts ahead of any decision to buy the group for its land.

Justice Button approved Logos’ funding arrangements with McGrathNicol last week, saying the arrangement would deliver benefits to creditors as well as serve the broader public interest.

“The companies’ two facilities are highly regulated and hazardous sites. The ongoing operations at the Altona facility cannot be terminated with the flick of a switch. They need to be wound down in a controlled and managed process,” she said.

“It is self-evidently in the public interest that the Administrators be in a position to do that and not have to terminate the operations in a sudden or uncontrolled manner, or without the management and advice of long-standing staff with knowledge of the complex systems and environmental hazards at play.”