

Ingot Spot News

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Alcan invests \$1.8 billion in a Kitimat smelter modernization

On August 14, Alcan Inc. announced it will proceed with an approximate (US) \$1.8 billion investment to modernize Kitimat's 52 year old smelter. The modernization of the Kitimat smelter would increase its production by more than 60 per cent from its current production of 245,000 tonnes per year to approximately 400,000 tonnes per year, introducing the latest evolution of smelting technology within Alcan's AP35 (Aluminium Pechiney) series. Production costs would be in the lowest part of the industry cost curve's first quartile.

The modernization of Kitimat Works will increase Alcan's global primary aluminum production by more than four per cent and make Kitimat not only one of Alcan's largest wholly-owned smelters, but also one of the three largest smelters in North America.

"The planned modernization of Kitimat would leverage two of Alcan's greatest competitive advantages – clean, self-generated power and the world's leading AP smelting technology," said Cynthia Carroll, President and Chief Executive Officer, Alcan Primary Group. "Alcan is proud to reaffirm its long standing commitment to northwest British Columbia and the community of Kitimat by ensuring the sustainability of the aluminum business here for decades to come," she added.

"AP technology is the most advanced, efficient and environmentally friendly technology available, providing us with the ability to achieve the lowest full economic cost. Modernization would make Kitimat a world class aluminum producing facility for the next 35 years and beyond," said Marco Palmieri, President of Alcan Primary Metal Group for Asia, Pacific and Africa. "Alcan's intention to invest in British Columbia reflects the province's competitive business climate, one which will contribute to Kitimat's economic vitality," he added.

Modernization will secure approximately 1,000 stable, technically enriched jobs in BC's northwest for the long term and roughly double this number during the construction phase. The first of the new capacity is expected to come on stream in 2009, with final metal on line by the end of 2011.

By design, the modernized Kitimat smelter would use virtually all of Alcan's firm power from the wholly-owned Kemano hydro-electric plant, using more electricity than ever before in the smelter's history. Alcan's Agreement-in-Principle with BC Hydro includes a "smelter first provision", ensuring that power deliveries to the smelter would take priority over sales to BC Hydro. Furthermore, Alcan would sell any surplus power directly to BC Hydro, signaling an end to power sales to BC Hydro's subsidiary – Powerex, as of December 31, 2006.

Implementation of the modernization project is subject to final approval of Alcan's Board of Directors and to certain conditions including environmental permits and the successful conclusion of agreements with BC Hydro and the CAW union.

Director of Operations Paul Henning couldn't be more delighted by the announcement. This was his mission and vision for Kitimat Works and Kemano Power Operations, when he arrived to the Kitimat Valley in August 2003.

"This is wonderful news for our employees and for our community," Paul said. "We'll be pioneering cutting edge technology, leaving our imprint and a sustainable legacy for the future; similarly, as our earlier pioneering employees did in 1954, when the smelter first started up and we poured the first aluminum ingot. It's been an honour and a privilege to have worked with so many people who have been involved to successfully launch this modernization," Paul said.

Read the feature article on the modernization in the upcoming August 31, 2006 issue of *ingot*.

For more information, you can also contact Colleen Nyce, Manager of Corporate Affairs and Community Relations.

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