Rio Tinto Alcan

History in B.C. - Backgrounder

The Kitimat-Kemano Story

In the late 1930s, at the invitation of the B.C. government, Alcan confirmed the hydroelectric potential of the Nechako Watershed, an area of 8,770 square kilometers in the province's central interior. In 1950, Alcan signed an agreement with the B.C. government that provided the company with rights to the waters of the Eutsuk/Tahtsa basin, one of three drainage basins that make up the Nechako Watershed. In exchange, Alcan proposed to spend $500 million (roughly $3.5 billion in today's dollars) to establish an aluminum industry in B.C. Between 1951 and 1954, 35,000 construction workers completed the largest engineering and construction project ever undertaken by private enterprise in Canada. When the smelter produced its first metal in 1954, a pour presided over by HRH Prince Phillip, it had a capacity of 91,000 tonnes per year (tpy).

Evolution of B.C. Operations

In 1954, Alcan spent $45 million to boost production to 150,000 tpy. Less than a year later, the company committed another $190 million over four years to further expansion. By 1958, Kemano had a generating capacity of 896 MW and annual aluminum production was up to 246,000 tpy. From the mid-1970s, Alcan spent more than $300 million to improve working conditions, enhance environmental performance, and upgrade technology, boosting the plant's rated capacity to 275,000 tpy. The workforce peaked in the mid-1980s at 2,500 and, through technological enhancements, has since declined, largely through attrition, to about 1,500 today.

The Kemano Completion Project (KCP)

In late 1979, Alcan announced its $1.3-billion plan to expand power generation and build three new smelters in B.C. In response to environmental concerns, Alcan redesigned KCP three times in the 1980s, finally giving up half its remaining water rights and postponing plans for expanded aluminum production. In 1987, the company settled with the B.C. and federal governments on water flows to protect fisheries in the Nechako River. A 1988 power sales MOU with B.C. Hydro provided financial justification for KCP and construction began the same year. In 1991, a court challenge by opponents halted the project. Although Alcan won the challenge on appeal, the Province asked the B.C. Utilities Commission (BCUC) to review the project. After two years, the BCUC acknowledged the sophistication of KCP's design and recommended additional enhancements. Nonetheless, the Province unilaterally cancelled the project. Redress for the $500 million Alcan had invested was built into the 1997 B.C.-Alcan Settlement Agreement, which granted Alcan certain provisions regarding future power requirements.

Today's Kitimat Modernization and Expansion Project

Since 1997, Alcan has spent close to $25 million to identify a viable expansion project. Two full-scale feasibility studies failed to produce results that met Alcan's threshold for investment. However, the acquisition of Pechiney in 2004 made new technology solutions available to address the challenges of modernizing and expanding Kitimat Works. With Pechiney AP technology, Kitimat Works can be rebuilt to increase aluminum production to as much as 400,000 tpy, while reducing GHGs by more than 40 per cent. The modernized Kitimat smelter would be one of the lowest-cost operations in the world and would secure the future of B.C.'s aluminum industry for years to come.

Last year's acquisition of Alcan by Rio Tinto, one of the world's top three mining companies, required the new Rio Tinto Alcan to make the business case for Kitimat modernization and expansion to Rio Tinto's Board of Directors. Last month's awarding of a US$200-million engineering, procurement, and construction management contract to Bechtel and today's announcement of the Project Labour Agreement for the Kitimat Modernization Project further supports the business case.

We expect the final approval of Rio Tinto's Board for the Kitimat Modernization Project in October, bringing a 20-year dream to fruition for northern B.C.