

TESTIMONY OF SCOTT STATES

Good afternoon. My name is Scott States, President of RUSAL America Corp, a subsidiary of UC RUSAL. RUSAL America Corp sells here in the U.S. unwrought aluminum and alloy products manufactured by RUSAL. RUSAL submitted a thorough Pre-Hearing brief, and I will now highlight key aspects of that submission.

RUSAL is currently the world's second-largest producer of aluminum, with operations in 20 countries, including my sales operation in the United States. RUSAL currently has 8 active smelters in Russia, and one in Sweden (4 smelters in Russia and one in Nigeria are mothballed). The vast bulk of RUSAL's production is located in Siberia, close to hydropower facilities in that region. RUSAL's smelters operate at high capacity utilization rates above 90 percent. RUSAL's annual production is around 3.6 million tonnes, and it sells primarily to Europe, Russia and Asian markets. Less than 10 percent of its direct sales are to the U.S.

RUSAL operates an efficient and sustainable business model. RUSAL is a vertically-integrated producer, with captive alumina production facilities supplying 100 percent of RUSAL's needs, and bauxite mining operations supplying about 80 percent of the company's bauxite needs as well. Production discipline is a key driver of RUSAL's corporate strategy. The company's investment in its facilities in Russia and world-wide are all made in a sustainable and responsible manner.

A key factor negatively impacting the world-wide aluminum industry is inefficient excess capacity that is not tied to market conditions. As a response to this factor, RUSAL has reduced capacity in recent years by dismantling and mothballing several older and less efficient smelters

in Russia. From 2011 to 2015, RUSAL reduced capacity by approximately 750,000 tonnes, about 17 percent of its total capacity, and also significantly reduced production. Over the same period, world-wide installed capacity increased 30 percent and aluminum prices dropped 25 percent.

The issue of inefficient capacities in the aluminum industry, like many others, is directly linked with the problem of global warming, and it would benefit from being addressed on a government-to-government basis. Multilateral forums, such as the OECD or the G-20, are well placed to provide a framework to address issues concerning world-wide aluminum over-capacity. Such cooperative, multilateral efforts are necessary if we are to avoid closure of regional markets for global trade in aluminum products, (as has happened in portions of the steel industry) and to maintain the health and investment potential of the aluminum industry. We welcome the recent Joint Communique of the G20 Summit in Hangzhou, where global leaders agreed that excess capacity in steel and other industries is a global issue which requires collective responses. The aluminum industry should highlight the need for bringing the issue of inefficient capacities on to the global agenda.

RUSAL is a responsible participant in the U.S. aluminum market. RUSAL's sales to the U.S. are driven by competitive forces. RUSAL's share of the U.S. market is currently around 5 percent.

Over 90 percent of RUSAL's sales to the United States are of unwrought aluminum and alloys, which enable the U.S. industry purchasing these materials to further manufacture aluminum products in the United States to meet the underlying demand from the construction, automotive, packaging and other industries which provide jobs to thousands of Americans.

RUSAL sells its products at market prices and delivers a high-quality, superior product with strong customer support and reliable service.

The U.S. aluminum market benefits from RUSAL's responsible imports because U.S. primary aluminum production does not satisfy growing domestic demand. Over the last 30 years, aluminum consumption growth has outpaced growth for all other metals. The total demand for aluminum products world-wide is expected to grow by approximately 20 percent by 2020, and the U.S. will contribute substantially to that growth. Imports from RUSAL and other offshore suppliers are therefore needed to feed the rising production of ready-to-use aluminum products in the United States.

It is important to stress that RUSAL's main competitors in the U.S. market are offshore suppliers, as U.S. primary aluminum producers have several advantages based on their proximity to their customers. Therefore, RUSAL provides its U.S. customers with some of the most environmentally-friendly and sustainably-produced primary aluminum of all U.S. imports.

As a Russian producer with the bulk of its smelting operations in Siberia, RUSAL's priority is to further develop the Russian market, where it has a competitive advantage. Domestic demand for aluminum in Russia is currently below the world average. We estimate current Russian domestic demand to be around 1.4 million tonnes, which is expected to increase substantially to over 2 million tonnes by 2020. A newly-created Russian Aluminum Association is working to promote domestic consumption.

RUSAL benefits from extensive access to clean hydropower, from which RUSAL sources about 90 percent of its energy for aluminum production. Electric energy is a significant proportion of aluminum production costs, and RUSAL's ability to use hydropower provides it an

important advantage. RUSAL's reliance on hydropower illustrates well the great importance the company places on reducing its carbon footprint. By 2020, RUSAL aims to source close to 100 percent of its purchased energy from non-carbon sources for its aluminum production in Russia.

RUSAL's goal is to be the world's most efficient and environmentally-friendly producer of aluminum in order to maintain its long-term stability. The company has a long history of commitment to environmental protection and carbon footprint reduction that serves as a model for the industry. The company has already reduced its greenhouse gas emissions from aluminum production at its smelters by 50% compared to 1990 levels. RUSAL also has a unique target to cut its total "bauxite to ingot" carbon footprint to less than 6 tonnes of CO₂ per tonne of aluminum.

RUSAL is also investing in state-of-the-art technology to further improve the efficiency and lower the environmental impact of its smelter operations. For example, the company has introduced a new modification of Soederberg cells that cut air pollution emissions by 75 percent. The carbon intensity of Russia's unwrought aluminum is among the lowest in the world, and will become even lower. RUSAL's story contrasts with the fact that more than half of global aluminum smelter capacity uses coal-based power, which produces very high emissions of greenhouse gases and other pollutants.

As the Aluminum Association noted in its testimony earlier today, accounting for carbon emissions in the production of aluminum is an important aspect of understanding the factors impacting world trade in aluminum. Customers are looking to source aluminum produced with a low carbon footprint. Increasingly, customers are interested in the purchase of low carbon-intensity aluminum products. Responding to these market demands, the aluminum industry has

established the Aluminum Stewardship Initiative to promote measurable and continued improvements in the environmental and social aspects of aluminum production, define globally applicable standards for sustainable aluminum production, and develop a credible assurance and certification system for aluminum.

RUSAL respectfully urges the Commission to take account of the full spectrum of factors associated with the carbon-intensity of aluminum products. Given the fact that energy represents a very high portion of the total aluminum production cost chain, consideration of the carbon intensity of aluminum production is certainly a key “competitive condition affecting the U.S. aluminum industry,” and therefore should be taken into account in this Commission’s investigation.

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Thank you for giving us this opportunity to present our views on the important issues before the Commission in this investigation. We would be pleased to answer any questions you may have.