

Russian Aluminum Makers Invest in Nuclear

They will improve the aluminum industry and make a profit from the nuclear plants.

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Russia's two largest aluminum producers said Wednesday they were looking to finance the construction of new nuclear plants in Russia to power new smelter projects.

ZAO Rusal and SUAL Group both said they had signed memorandums of understanding with the Federal Agency for Atomic Energy, including agreements on shared research, the creation of new nuclear power stations and the modernization of existing ones.

A Rusal spokeswoman told Dow Jones Newswires that it was not yet clear whether Rusal would seek co-ownership of a nuclear power plant, or whether it would just want long-term supply contracts in return for help in financing new generation capacity.

"Atomic energy could play a part in our planned expansion to 5 million (metric) tons of aluminum by 2009," she said. Rusal produced 2.7 million tons of primary aluminum last year.

President Vladimir Putin has pledged to dramatically increase the amount of electricity generated by nuclear power to help meet spiraling electricity demand and the growing strain being put on Russia's Soviet-era power infrastructure.

Russia's aluminum industry accounts for over 10 percent of the nation's electricity demand. Aluminum production consumes high levels of energy, which accounts for about 30 percent to 40 percent of production costs.

Both Rusal and Sual -- private companies controlled by tycoons Oleg Deripaska and Viktor Vekselberg, respectively -- are overwhelmingly dependent on electric power generated from Siberia's mighty rivers.

The two tycoons exercise effective control over nearly 20,000 megawatts of hydroelectric capacity in the Irkutsk and Krasnoyarsk regions, where their largest smelters are based, despite a government policy which says hydroelectric generation should be state-controlled.

Earlier this year, Rusal signed a deal with electricity monopoly RAO Unified Energy Systems for joint ownership of both a new power station and a new aluminum smelter in eastern Siberia.

Sual said Tuesday it was examining a new smelter project in Russia's Far East, also in cooperation with United Energy Systems.

Those two projects alone could add 1.2 million tons of annual smelting capacity close to the booming Chinese market, where demand has helped push aluminum prices to record levels this year.