

Smelter's Fate Hinges on Rescue Talks

ANGLESEY, Wales -- The fate of one of the U.K.'s last primary aluminum smelters is likely to be decided this week as its owners meet with the government to thrash out the viability of a potential £48 million (\$79 million) rescue package.

The electricity-supply contract for the smelter, Anglesey Aluminium Metal Ltd., expires at the end of September, and its owners say buying power at market prices will make the plant uneconomic. Majority owner U.K.-listed [Rio Tinto](#) PLC and [Kaiser Aluminum](#) Corp. of the U.S., which owns a 49% stake in the smelter, are trying to negotiate a way to continue at least some operations at the plant located on the island of Anglesey.

Smelting aluminum is an energy-intensive process. Rising energy prices have crippled aluminum plants world-wide as they have to renegotiate contracts when long-term power deals expire.

As a result, smelting capacity is moving from Europe, China and the U.S. to areas with cheaper energy supplies, such as the Middle East, Iceland and Canada.

"We're midway up the cost curve with the current power contract," said David Bloor, Anglesey Aluminium's managing director. "Costs drop off the curve if we buy from the U.K. grid at market prices."

Energy accounts for about a third of overall aluminum production costs. Anglesey Aluminium consumes 12% of all the electricity in Wales, though it accounts for about 0.4% of global aluminum output.

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