

Co-ordinated strategy for Gulf region

Such has been the rapid rise of the Gulf's aluminium industry that it has formed the Gulf Aluminium Council to protect and promote its members interests and develop a co-ordinated strategy for common issues. **By Greg Morris***

The Gulf Aluminium Council (GAC) was founded by the six smelters in the Gulf – Alba, Dubal, Emal, Qatium, Maaden and Sohar – and now has members from downstream aluminium companies.

Gulf Extrusion of Dubai, UAE, GARMCO of Bahrain, Oman Aluminium Processing Industries of Oman, ALUPCO and Altaiseer Aluminium Company from Saudi Arabia, Kuwait Aluminium Extrusion from Kuwait and Elite from Ras Al Khaimah, UAE all joined the GAC within six months of the GAC's creation in March 2010.

According to the GAC's first General Secretary, Mahmood Daylami: "Gulf countries have unique circumstances and our work needs to reflect specific regional requirements. As such, GAC is not a conventional council or association as in different parts of the world."

GAC is involved not only as a co-ordinating body to protect and promote the interests of the aluminium industries in the Gulf but is also involved in developing a strategy for common technical, logistical or procurement issues.

One such issue is the treatment of spent pot lining materials generated by smelters. By 2013 there will be six smelters generating additional quantities that can justify having calculative processing SPL plant serving all the smelters.

GAC is heading a taskforce and has started a feasibility study to establish a location and iron out logistical issues for an SPL plant to be up and running before the new smelters actually produce the material in a few years time.

Supplier links

Another GAC activity is to encourage aluminium technology providers, equipment/material suppliers, spare parts, logistics and service providers to establish their bases in the Gulf. There are already some with facilities in the Gulf encouraged by the growing business in the region, which now produces around 3.5Mt/y of primary and value added product.

This constitutes 7% of the world's total production. "The objective is to have a mutually beneficial arrangement that reduces the cost and inventory for smelters and downstream companies. The service providers have the advantage of securing better business prospects for their services and products, not only for aluminium but other industries as well," said Mr Daylami.

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GAC has organised a Gulf Aluminium Dinner to take place annually in one of the Gulf States to coincide with a major international event such as horseracing or Formula One. The purpose is to get business leaders from all aspects of the industry together in a meeting where they can exchange and build on the business relationship that exists between producers and equipment service providers.

Production

Mr Daylami is optimistic that smelters' production will increase in the future, with Ma'aden adding 720kt/y and the possibility that EMAL's phase 2 expansion will go ahead soon to add another 720kt/y.

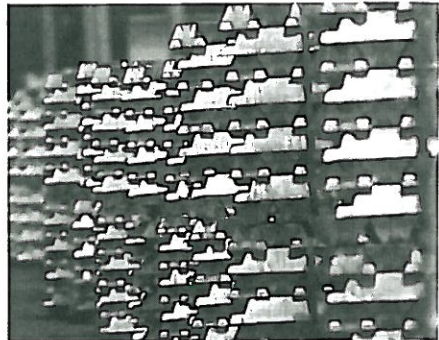
Qatium is also expected to add further lines of production being located in such a gas-rich country. Sohar will make a decision on its expansion before the end of 2011 depending on the availability of gas. It currently receives its supplies from the Dolphin project in Qatar. Alba has been contemplating about line six for a while but has no fixed date or plan yet.

According to Mr Daylami, energy remains the main challenge facing the industry in the region, with the exception of Qatar. Despite being oil rich, the Gulf cooperation countries (Bahrain, UAE, Saudi Arabia, Kuwait, Qatar and Oman) have limited availability of gas, mainly due to the region's population and domestic requirements for electricity increasing between 5 to 7%/y. Gas remains the main source of electricity production in all the Gulf States.

The region's aluminium industry is now one of the major industrial foundations of the Gulf countries. It is a source of employment, foreign exchange earning and has helped create small and medium sized companies that create further added value to the economy. The total investment in aluminium smelters so far exceeds \$30bn.

"The scale of investment in the industry and its importance to the economy is the fundamental reason why the GAC was formed," said Mr Daylami.

The European tariff imposed on aluminium producers in the Gulf has been one of the issues discussed for many years without serious progress. The GAC is working with the Gulf cooperation council in this matter, which is dealing with the European Union on free trade agreement. According to the Gulf countries, negotiations have stopped due to



The GAC encourages aluminium suppliers to establish their bases in the Gulf

changing demands from Europe. While negotiations are delayed, European consumers of aluminium have to pay a higher premium than others for the same product. As for the future, in addition to further expansion of primary smelters, Mr Daylami sees potential for downstream industries to expand. Out of 3.5Mt produced annually, only 300kt is actually consumed in the Gulf, with the rest exported. There is room for the value added products industries, especially extrusion and casting products.

A competitive energy price is one of the reasons why the Gulf aluminium industry has flourished and attracted major aluminium companies to the region. These include Rio Tinto Alcan which owns 20% of Sohar, Norsk Hydro with a 50% joint venture in Qatium and Alcoa with a 25% share of Ma'aden. Dubal, which is one of the main aluminium technology providers, also owns 50% of EMAL.

Energy is not the only reason for the Gulf's success. The operational experience of successful smelters such as Alba and Dubal, an excellent infrastructure that the region has developed over the years, the political and economical stability of the Gulf countries plus the location between the raw material supplier and the market are added advantages for the region to become one of the leading areas for the aluminium industry. ■

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