'We are part of the future'

Jean Simard, president and CEO of the Aluminium Association of Canada
talks to *Aluminium International Today.*

1. After three years into your job as CEO of the Aluminium Association of Canada, how would you describe the overall situation in your industry?

AAC represents the three world class aluminium smelting companies present in Canada: Alcoa, Alouette and Rio Tinto Alcan. With their 10 plants and 10,000 strong employees, they are a key industrial player in Canada's economy. Their concentration in Quebec, with 90% of the overall capacity, accounts for over 10% of Quebec's annual exports, ranking as the third largest sector in importance.

These plants, while being hydro-based, are highly energy efficient and their on-going modernisation and technical upgrade makes for one of the most environmentally efficient group of assets in the world.

Modernisation and capacity-increase projects in the order of $8 billion have been announced for the next eight years in Canada. As emerging areas of production in the world are ever more competitive, these investments should contribute to keeping our plants at the top of the class and certainly confirm the well-established network of local suppliers and world class equipment manufacturers.

This being said, we are directly affected by the on-going crisis in the market, and our members are literally 'leaning' their way through an eventual recovery.

2. What's your view on the current state of the global aluminium industry?

Low prices lead to speculative buys which in turn lead to an eventual market glut. We can't seem to pull away from the 2009 crisis. The slowdown in China, the ever-fragile European economy and the instability in the Middle-East are impacting us as piled-up inventories are merely being added up to. The treadmill is running slower than we can walk.

3. What is the AAC up to at the moment?

The Association has embarked upon a long-term plan to develop such a culture by fostering the use of aluminium in areas where it can contribute to reduce greenhouse gases: light-weighting of vehicles, increased energy efficiency in buildings and optimal design in infrastructures.

We have been pushing for the integration of aluminium in subways, cars and buses as well as bridges and institutional architectures. Although we have a small market, we have a short window of opportunity as post-war road and traffic infrastructure is being renovated and replaced. The reduction of our economy's carbon footprint is predicated on two key sectors: urban mass transit and energy management in buildings. They are two sectors where we believe aluminium can play a strategic role while creating wealth in our economy.

We have developed a curriculum to train architects, engineers and designers in the use of aluminium. A new course will be offered throughout this fall on aluminium in bridges. The interest is genuine and we are confident that in the years to come aluminium will make its way.

4. Aluminium is an energy-intensive process and in many parts of the world it is encountering not only high electricity charges, but also punitive carbon taxes that, in some cases, have led to smelter closures. How should the industry approach the issue?

While Canada's aluminium industry is totally hydro-based, it has invested through the years to reduce its PFC emissions. We now produce very low carbon aluminium, and we are actively involved in the recently established Quebec Cap & Trade market. The industry is striving to improve its already high performance, but we have almost reached the upper limit of the scorecard.

Having done our best, we can only invite other production areas in the world to do the same.

5. Plant closures can lead to job losses, and governments around the world have to balance the social cost of green taxes with the need to meet carbon reduction targets. Is there a middle ground in your opinion?

The key elements are a deeper understanding of the economics of the industry, phasing through time, better internalisation of market mechanisms, and sustained research and development. But at the end there will be fatalities, unfortunately not always where they should be.

Our carbon footprint is the lowest in the world, we have entered into a Cap & Trade market, one of the few outside Europe, and we are efficient in our use of clean and renewable energy. We are often competing with subsidised energy, even though there are not always green taxes involved.In the long term the carbon reality should take over and level the playing field and a new middle ground will appear.

6. As a metal, aluminium has so much to offer, not only in terms of its recyclable qualities, but also its versatility and its wide application throughout many sectors of industry – particularly automotive and aerospace. While the process is energy-intensive, would you say that its benefits as a metal far outweigh any environmental disadvantages?

It is only when one looks at the total lifecycle including post-use recycling of any aluminium solution that the real story can be told. Properly designed for the right function, aluminium will successfully carry its weight by reducing energy consumption during its useful life, and by providing 95% of the energy required to transform it into a new product after recycling. Through various sustainability initiatives under the International Aluminium Institute, the industry is actively pursuing its world-wide sustainability agenda and improving its footprint year after year.

As an industry we have to reposition ourselves in a forward-looking manner in

"EFFICIENT USE OF ENERGY AND REDUCED CARBON FOOTPRINT SHOULD GIVE US THE LICENCE TO GROW IN THE FUTURE."

order to stake out the emerging value-added markets of the future. The world is changing, consumers are better educated, have higher incomes and want to make informed choices. Developing economies are adding exceptionally large new markets for our material as the overall income level goes up. They are leap-frogging into the future and are open to integrating at the onset the next generations of consumer goods. Look at the recent announcement by Tata of a compressed air two-seater automobile, with no motor. Or the new aluminium bus fleets being built around the world, not to mention Ford's F150 light-weighted with aluminium.

They are all part of the same quest: more efficient design to reduce energy consumption. We must stop looking at the future with the eyes of the past. There is a change of paradigm and there is a brighter future than we think or perceive for aluminium.

7. Where do you see the most innovation in terms of production technologies – primary, secondary or further downstream?

We should look at how we make products that make products. New methods such as additive manufacturing certainly deserve our attention if we want to position our material at the value-added end of the food chain. I don't know what the exact answers are, but there are some low-hanging fruits out there that deserve to be looked at.

8. While there is an element of doom and gloom within the aluminium industry at present – electricity prices, green taxes and the low price per tonne – how optimistic are you for the short-to-medium-term prospects of the industry?

It's a tough game and it seems to be a matter of staying power. The long-term outlook is very positive in general, but the short-term is tough. The stars are not aligned the right way, government policies, stretched between international commitments and local perspectives are often not in sync with changing market parameters, and industrial growth policies in emerging economies. We are too often competing on unlevelled playing fields.

The industry's future lies in its capacity to invest and demonstrate its commitment to a sustainable contribution to the world economy. Efficient use of energy and reduced carbon footprint should give us the license to grow in the future. But we are not there yet. Many plants in heavy carbon areas of the world have access to subsidised energy, keeping them alive in the short-term and maintaining over-capacity. The real issue in the short-to-medium-term is the financial capacity to invest in our assets in a low-price market.

Canada's aluminium producers have done everything right, and we believe that we are part of the future!

9. Speaking of the industry's future, what is the best way to create a dialogue on these issues?

There are already discussions going on around the world, in different venues. The Aluminium Association of Canada will add to these by launching the first Canadian International Aluminium Conference in Montreal in October 2013. Entitled *Crafting a Lighter Future*, the week-long conference will integrate other international meetings on aluminium such as Inalco and Alu-Solutions. It will focus on Aluminium applications in infrastructures, transport and architecture, while opening the door to cutting-edge innovations and potentially new market applications. ■

"THERE IS A CHANGE OF PARADIGM AND THERE IS A BRIGHTER FUTURE THAN WE THINK OR PERCEIVE FOR ALUMINIUM."