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Alcoa's Spanish smelting exit hits fresh roadblock

Madrid, 24 March (Argus) — Alcoa's talks to sell its San Ciprian aluminium smelter in Spain are being weighed down by an investigation into a previous smelter sale, which has led to arrests of some of the buyer company's executives.

The US aluminium producer and the unions representing the 228,000t/yr San Ciprian smelter's workers set an 30 April deadline for a second round of talks to sell the plant, under pressure from the government. But the workers are agreeing to be flexible with the deadline as it looks increasingly unachievable, considering the investigation and delays in state holding company Sepi's replies to the company's proposed term sheet.

"The date can be extended," San Ciprian union leader Jose Antonio Zan told Argus, saying that the priority is that employees "deserve a solution [to the sale process] that respects their dignity".

The government is investigating how the 130,000t/yr Coruna and 80,000t/yr Aviles smelters Alcoa sold to Swiss risk capital group Parter in a 2019 deal ended up in the hands of Grupo Industrial Riesgo (GIR) — a little known company with no previous experience in the aluminium sector whose bid for the plants had been originally rejected on the grounds the firm lacked solvency.

The smelters' trade union Confederacion de Cuadros brought a case against Alu Iberica, the trade name under which GIR's Coruna and Aviles smelters are operating, for suspected asset stripping — both in terms of fixed assets and in the misuse of financing to keep the plants operating. Police raided the Alu Iberica offices earlier this month, resulting in the arrest of three of its executives and the director of both plants resigning. The union then asked for the government to investigate Alcoa's involvement.

"We asked the judge to investigate Alcoa because they are the ones who have benefited the most from the resale of the plants," Condeferación de Cuadros' general secretary Juan Antonio Gonzalez told Argus. "They saved money on the original labour restructuring costs and by refusing to honour their commitments of financial support for the plants."

Alcoa claims it had no prior knowledge of this resale process. It has an ongoing court case against Parter regarding the sale to GIR, while withholding some €40mn ($48mn) in funds it committed to maintaining the plants after the sale.

Workers were offered generous payoffs when Alcoa first decided to close the Coruna and Aviles smelters in 2018. Instead, the workers decided with regional and local governments to legally block the closure and force Alcoa to look for buyers, approving the sale to Parter in 2019. But following the sale to GIR, the plants are barely operating, the union says.

"The scrap aluminium we were meant to process was taken away in trucks to who knows where," Gonzalez said. "With the rise in aluminium prices and the fall in power costs we should be casting five or six times a day at each plant, but we are only casting once, as if to keep up the appearance that everything is normal."

San Ciprian buyer an open question

In comparison, the San Ciprian facility has had a busy February and "earned money for Alcoa" over the month, according to Zan, who said production was at normal levels over the month. But Alcoa's talks to sell the plant to Sepi are going slower than the unions would like.

"All the time Alcoa spends helping the police with enquiries is time it cannot spend on negotiating the sale with Sepi," the San Ciprian union leader said.

Another issue which could be slowing down the sales talks is the insolvency risk hanging over GFG Alliance, the potential San Ciprian buyer. The company's Liberty House group held talks to acquire San Ciprian last year. But now it is facing a credit squeeze after one of its core UK investors, Greensill Capital, filed for insolvency on 8 March.

Alcoa last September walked away from the talks with Liberty citing "unreasonable demands". This prompted Spain to intervene to prevent its closure.

Sepi has said that it will resell San Ciprian if it reaches an agreement with Alcoa to acquire the plant. Liberty continues to be tipped as the most likely buyer, although like Alcoa, the UK company is faced with more pressing issues than the smelter acquisition.

By Jonathan Gleave

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