

**ALUMINIUM FEDERATION  
HOUSE OF LORDS LUNCH  
TUESDAY 17 MAY 2011**

**SPEECH BY THE ALUMINIUM FEDERATION PRESIDENT, MR COLIN DAVIES  
SALES DIRECTOR – AEROSPACE, ALCOA MANUFACTURING GB LTD**

My Lords, Ladies and Gentlemen,

It is my privilege to once again address you at this prestigious annual event as ALFED's President.

I would like to formally welcome our guests from both Houses of Parliament, the representatives of other metals-related Trade Associations from UK and Europe, and last but by no means least, our ALFED members.

I must also start by formally thanking Baroness Gardner of Parkes for hosting this Lunch on our behalf, once again.

It is traditional at this event for the ALFED President to give a short ' State of the Industry ' report.

We also have two other industry speakers today, who are both leading members of the ALFED Council:-

Carl Tomlinson will give an updated version of his presentation at our last Breakfast Meeting in the House of Commons on ' Regulatory Burden'.

Simon MacVicker will outline the latest developments in Aluminium's outstanding record on Sustainability.

I would like to start by striking a distinct note of optimism, compared to my report at the Breakfast Meeting in February.

As a major UK industry, we acknowledge that that the Government is now making a serious effort to support UK manufacturing, but clearly a lot more needs to be done.

We acknowledge the work of the Business, Industry and Skills Select Committee, chaired by Adrian Bailey MP, who is with us today, for their ongoing efforts to support and rebalance the economy.

BIS also published their ' Plan for Growth ' at the same time as the last Budget, which sets out the Government's strategy to put the UK on the path to sustainable, long-term economic growth.

Our industry faces many challenges, many of which involve energy costs and supply. In the Budget before last, the then Chancellor announced that the maximum Climate Change Levy rebate for electricity and gas would be reduced from 80% to 65%, as from 1 April 2011. That decision is now costing our industry millions of pounds in additional costs.

We therefore welcome the announcement in the last Budget in March that, as from 1 April 2013, the maximum rebate for electricity will return to 80%, but gas will remain at 65%.

We are fully aware that the Energy Bill is currently having its Third Reading in the House of Commons.

BIS and DECC have to have a key role in advising their colleagues in the Treasury about the huge costs facing energy-intensive industries from the introduction of Carbon Price Support and Phase 3 of the European Union's Emissions Trading scheme, especially if there will be no compensation for indirect CO<sub>2</sub> costs.

Ministers need to be aware that these are costs that the primary aluminium sector cannot pass-through.

That is why our primary aluminium sector strongly advocates a switch to low carbon energy, which could best be achieved by the Government providing adequate support under the Renewables Obligations, especially for dedicated biomass plants.

The EU ETS Phase 3 negotiations have now reached another important stage.

The revised Directive allows for Member States to compensate Sectors judged to be at significant risk of carbon leakage, for costs relating to greenhouse gas emissions passed on in electricity prices., ie indirect CO<sub>2</sub> costs.

We understand that several Member States are in favour of compensation.

It is therefore essential that the UK Government engages with the process and ensures that our industry is not disadvantaged.

The UK Government has introduced a Carbon Price Floor for the power sector, with effect from 2013. This will result in further cost pass-through to electricity users, with the consequent increased risk of carbon leakage.

Our industry welcomes the Government's decision to retain Climate Change Agreements from 2013 to 2023. The scheme rules have yet to be determined.

It is vital that the final sector target reflects the limited abatement potential remaining in our industry.

ALFED is working with DECC and BIS to complete an intensive energy strategy report.

Our industry also welcomes the decision to review and simplify the Carbon Reduction Commitment energy efficiency scheme..

ALFED is a member of the Emissions Trading Group and the Manufacturers Climate Change Group - both of those groups are engaged with DECC to propose simpler, feasible, cost-effective rules.

I am pleased to report that several Ministers ,including Charles Hendry MP, Greg Barker MP and Mark Prisk MP ,are now taking an active interest in the issues and challenges facing our industry.

We can be guardedly optimistic about some recent market sector developments.

The aluminium price on the London Metal Exchange peaked at over \$2700 in late April, partly due to the weak US dollar.

My company, Alcoa, achieved worldwide income up 20% on last year in the first quarter of this year.

Jaguar Land Rover, a major user of aluminium, broke their all-time sales record in March.

Over 100 jobs have been rescued through the sale of Novelis's packaging business at Bridgnorth, which had been scheduled for closure with the company's rolling mill on the same site.

The European Commission is to ease regulations for certain types of scrap metal, including aluminium, from October. Some types of aluminium scrap will be regarded as a valuable secondary raw material, instead of as a waste material. This measure will make exporting aluminium scrap from the UK much easier.

These good news stories need to be put into perspective when it was recently reported that the building industry, one of aluminium's most important market sectors, was in severe decline, with its market 12% down on last year.

Many of ALFED's member companies across all sectors are struggling to cope with rising energy prices, stringent environmental regulations and increasing competition from overseas.

Turning to ALFED's general activities, we continue to be very active in the area of education and training, with internal product knowledge courses and a very successful ongoing lecture programme for UK universities.

Linked to our work with schools and universities, ALFED has recently confirmed its sponsorship of a new exhibition at ' Thinktank ',the high-tech Birmingham Science Museum, a venue which attracts over 80,000 school pupils every year. This exhibition called ' Made in Birmingham ',will feature products from several ALFED member companies.

The opening of that exhibition next year will coincide with ALFED's celebration of its 50th anniversary.

' Thinktank ' will also be the venue for a major conference in September on ' Aluminium-Automotive, Casting and Recycling Perspectives ', organised by ALFED and AAMRA, the Aluminium Alloy Manufacturing and Recycling Association.

ALFED also takes a leading role in promoting health and safety to its members and a Workshop was held over two days at Telford in March.

Three other ALFED events later this year deserve a mention.

Our annual Lunch Briefing for senior civil servants will be held in October at the now world-famous Goring Hotel - a venue that ALFED discovered long before the Middleton family !!

We, however, require only one small meeting room, not the whole hotel !!

Also in early October we will hold the next in our series of Breakfast Meetings in the House of Commons.

The highlight of our calendar, our Annual Dinner, will take place on 16 November at Merchant Taylors' Hall in the City of London., when our Principal Guest and Speaker will be the eminent Parliamentarian , Lord Robertson of Port Ellen.

And speaking of Parliamentarians, I would like to conclude by paying tribute to the vital and invaluable role played by our All-Party Parliamentary Group, ably and enthusiastically led by its Chair, Albert Owen MP, who cannot be with us today as he has chair a Westminster Hall debate.

I am delighted to report to you that at our All-Party Group's AGM held earlier today, Albert Owen was re-elected as Chair.

Baroness Gardner, Sir Alan Beith and Lord Davies of Coity were also re-elected as Officers of the Group.

We also welcome back Lord Boswell as Treasurer after his elevation to the House of Lords and thank Lord Brookman for holding the fort for a year.

We are most grateful for the All-Party Group's support in addressing the major issues and challenges that I have reported today.

We urgently need the Government's apparent new-found support for manufacturing to be translated into positive actions as soon as possible.

Two brief housekeeping points - ALFED has produced a pocket-sized Key Facts leaflet which will be given out to today.

The texts of the three presentations given today will be sent to everyone within the next few days, including to those Parliamentarians who gave their apologies for today.

Thank you for your attention.