

Klesch Will Expand Capacity at Aluminium Smelter in Netherlands
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By Chanyaporn Chanjaroen

March 27 (Bloomberg) -- Klesch & Co. Ltd., the London-based buyout firm that bought a Dutch aluminium smelter from Alcan Inc., will expand the plant's capacity by about a quarter by the end of next year, betting on higher prices for the metal. The smelter in the southwest city of Vlissingen will have an annual capacity of 290,000 metric tons by the end of 2009, said A. Gary Klesch, chairman and founder of the closely held company. It currently operates at 230,000 tons a year. "The price will only go up," Klesch said in an interview in London yesterday. "There are so many infrastructure challenges and that will limit availability of aluminium." Record power prices have shrunk margins for many aluminium producers, with electricity accounting for as much as a third of the cost of making the metal. Power shortages or cuts in China and South Africa have also curbed output. The Vlissingen smelter signed supply contracts last year, covering its alumina requirements for a decade and electricity supply for 15 years, Klesch said. Alcan sold the smelter after failing to secure cheaper energy supplies. Alumina, derived from bauxite, is smelted into aluminum. Aluminum for delivery in three months on the London Metal Exchange, the benchmark contract, has more than doubled since 2002, and traded at a record \$3,300 a ton in May 2006. Prices will reach \$4,000 in the next year or two, Klesch said. Private-equity firms including Klesch and American Industrial Acquisition Corp. last year bought aluminum smelters from companies including Alcan and Corus Group Plc.

Libyan Agreement

Klesch last month signed an agreement with the Libyan government to develop an \$8 billion industrial complex, including an aluminium smelter and oil refinery, in the African country. The smelter will have an annual capacity of 725,000 tons and the refinery will be capable of handling 300,000 barrels a day. The complex may be completed as early as 2011.

Klesch said he's seeking more energy and industrial-metal projects globally and "if we can't buy one we will build one." Klesch's other investments include TAL International Group Inc., which bought Aegon NV's Transamerica maritime container leasing unit for \$1.2 billion in November 2004. New York-listed TAL was floated in October 2005 and is valued at \$816.7 million.

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