

Bauxite, Alumina and Aluminium Market Overview

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Abstract

Although production facilities across the aluminium value chain are coming under increasing pressure from falling prices, costs across the industry have been simultaneously decreasing in recent years. This presentation will provide an analysis of the structure of operating costs in the bauxite, alumina and aluminium industries, and discuss some of the key cost drivers and trends that have contributed to the fall in costs. A review of CRU's Value Based Costing methodology will help to identify how its costing concepts allow us to analyse the business performance and competitive positions of individual production facilities. The presentation will demonstrate how CRU's business cost curves are essential in gauging industry costs against the benchmark price in order to determine how much of the industry's production is loss-making and under threat of closure. It will also review how the bauxite, alumina and aluminium cost curves have shifted in recent years in line with changing market dynamics, and evaluate how this has impacted profitability across the industry. CRU's methodology is ideally structured to assess this trend.

Keywords: Aluminium value chain; operating costs; value based costing methodology; cost curves.