

Putin Orders Deal to Save Old Smelter, 3,500 Jobs

By [The Moscow Times](#)

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Prime Minister Vladimir Putin, facing a wave of voter outrage as he prepares a bid to return to the Kremlin, intervened to prevent an archaic 67-year-old aluminum smelter with 3,500 workers from closure, the government said Friday.

Putin is struggling to maintain business as usual over Sunday's parliamentary elections, in which opposition parties say his United Russia party retained a majority through fraud.

The government web site said Putin was informed at a meeting with his supporters Tuesday that the smelter and the refinery could be shut due to high electric energy costs, also threatening the operations of a nearby automotive plant.

The Bogoslovsk smelter, which came on stream in 1945, is in the town of Krasnoturyinsk in the Ural Mountain region of Sverdlovsk.

It was the second such crisis intervention in Russia's aluminum industry for the prime minister, whose political stock in trade is his image as a strong leader willing to stand up for Russians beset by economic difficulties.

In 2009, when the aluminum industry was coping with a collapse in prices that prompted RusAl to close 35 percent of its capacity, Putin ordered Oleg Deripaska, RusAl's main owner, to restart production at a RusAl plant, the Pikalyovo alumina refinery in northwestern Russia.

Hungry workers had blocked a motorway, protesting over unpaid salaries. They returned to work after the televised meeting in Pikalyovo, in which Putin flung a pen at Deripaska and ordered him to sign papers returning the plant to operation.

The scene boosted Putin's popularity among voters seeking protection against economic upheaval, and increased his power to project his will on Russia's tycoons in what become known as the "Pikalyovo effect."

The Bogoslovsk smelter produced 113,000 tons of aluminum in 2010. Its owner RusAl shut down 35 percent of its capacity in 2009.

On Putin's orders, KES Holding, controlled by one of RusAl's shareholders, Viktor Vekselberg, will sell a local utility to RusAl so that RusAl can upgrade it and cut energy costs, the government web site said.

Putin also told the regional authorities at a government commission meeting to start looking for ways to supply cheaper coal to the utility to cut costs further.

"RusAl is satisfied with the government commission session," RusAl said in an e-mailed statement, adding that it assumed the responsibility for upgrading Bogoslovsk, and guaranteed the maintenance of current production levels.

Citigroup expects the ruble to fall and metals companies to be increasingly at risk as political protests intensify, leading to a "populist" reaction by Putin's government, Bloomberg reported Friday.

"The market is only now starting to price in the return of top-level political risk for the first time in 12 years," said Kingsmill Bond, chief Russia strategist at Citigroup. "The metals and mining sector is most at risk. We see risk to companies that are beneficiaries of the current rentier system or controlled by oligarchs."

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