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Russia's Rusal to Quit Global Market if Sanctions Remain After Board Shake-up

By Reuters

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Alexander Nekrasov / TASS

Russia's Rusal will be forced to quit the global aluminum market and focus on domestic consumers if the United States does not lift sanctions once an independent board is in place, a source familiar with the matter said.

Washington this month imposed sanctions on billionaire Oleg Deripaska and several companies in which he is a large shareholder, including Rusal, in response to what the United States called Russia's "malign activities."

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Two sources told Reuters earlier on Friday that Rusal would soon appoint a fully independent board, which in turn would appoint a new management team in the hope that the United States would remove the firm from its sanctions list.

The source familiar with the matter said Rusal was in close contact with U.S. authorities.

"Rusal is now in a very close dialogue with OFAC (the Office of Foreign Assets Control of the U.S. Department of the Treasury). It is very important for the company to comply with all their instructions to get out of the sanctions," the source said.

"The company is now working on changing the management team to an independent one and the board of directors to independent representatives who are not affiliated with shareholders. Rusal hopes that these changes will be noted by the OFAC," the source said.

The steps were being discussed with other shareholders, the source added. Rusal's other shareholder, Viktor Vekselberg, was also put on the sanctions list.

"If this (option) does not work out, then there will be the second option, which (Russian industry and trade minister Denis) Manturov talked about," the source said.

Manturov has previously said that Russia needs to develop deep processing of aluminum.

"It means that Rusal will turn into ... a company, which will only look after the domestic market's ambitions. In other words, part of the aluminum will go to (the state repository) Gokhran and up to 2 million tons will be processed internally and meet the needs of the military-industrial complex," the source said.

"In this case, Rusal would leave the global market, and of course no one wants this to happen," the source added.

Rusal declined to comment.

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