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U.S. To Lift Sanctions From Aluminum Giant Rusal

By Reuters

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Dmitry Rogulin / TASS

The U.S. Treasury will lift sanctions on the core empire of Russian businessman Oleg Deripaska, including aluminium giant Rusal and its parent En+, watering down the toughest penalties imposed since Moscow's 2014 annexation of Crimea.

In April, the U.S. Treasury imposed sanctions on Deripaska, Rusal, En+ and other companies in which he owns stakes, citing "malign activities" by Russia, prompting turmoil in global aluminum markets.

After lobbying by European governments, Washington postponed enforcement of the sanctions and started talks with Deripaska's team on removing Rusal and En+ from the blacklist if he ceded control of Rusal.

Deripaska will remain under sanctions, the Treasury said. However, the three Deripaska

companies — Rusal, En+ and power firm EuroSibEnergo — have agreed to restructure to reduce Deripaska's stakes.

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Rusal shares soared as much as 26.8 percent on Thursday to their highest since April, the month when the sanctions were announced.

"These companies have committed to significantly diminish Deripaska's ownership and sever his control," the Treasury said in a statement on Wednesday, adding that the sanctions would be lifted in one month.

The Irish government, which lobbied heavily in Washington for the removal of sanctions to protect 600 jobs at an alumina plant, said the move was "a very welcome return" on those efforts.

The Aughinish Alumina plant will be free from the threat of sanctions following a 30-day Congressional review period, the Irish foreign ministry said in a statement. The facility churns out a third of Europe's alumina, a material used to make aluminium.

Prices for aluminum fell to $1,911 a ton after the Treasury statement, their lowest since August last year.

Rusal, the world's second largest aluminum producer after China's Hongqiao, was not immediately available for comment.

The London Metal Exchange said that it would lift its suspension on aluminum produced by Rusal if the U.S. sanctions were removed.

The deal, agreed with the Office of Foreign Assets Control (OFAC) in the United States, will prevent Deripaska obtaining cash or receiving future dividends from the companies.

His stake in En+ will fall from 70 percent to 44.95 percent. The deal also includes Swiss company Glencore, or its subsidiary, swapping shares in Rusal for a direct ownership interest in En+.

Glencore declined to comment.

VTB Bank, Russia's second-largest lender, or another assignee approved by OFAC, will take ownership of a block of Deripaska's shares in En+ pledged as collateral for outstanding obligations.

Deripaska will also donate a block of shares to a charitable foundation and assign any voting rights above 35 percent of En+ shares to a voting trust. Several shareholders with professional or family ties to him will also assign their voting rights to an independent third party.

As part of the agreement, half of En+'s restructured board of directors will be U.S. or U.K. nationals and Rusal's current board chairman will step down. En+ will create a board of 12 directors, with eight directors independent of Deripaska, in 30 days.

After the restructuring En+ will no longer be subject to sanctions and will own a 56.88 percent stake in Rusal, retaining its right to nominate Rusal's chief executive.

Deripaska will retain a direct shareholding interest in Rusal of just 0.01 percent.

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