



**FEDERAL ANTIMONOPOLY SERVICE**

# **Antimonopoly regulation on the market of non-ferrous metals**

Kazan, 2016

- The Federal Antimonopoly Service is the federal executive body authorized to control and monitor compliance with the antimonopoly law, particularly, on the markets of non-ferrous metals:
  - Aluminum and aluminum alloys
  - Zinc and zinc alloys
  - Nickel
  - Copper
  - Other non-ferrous metals

“RUSAL” is the only producer of aluminum products (primary aluminum and aluminum alloys) in the Russian Federation.



- ✓ “RUSAL” is the largest aluminum producer in the world:
  - aluminum output – 4.2 million tons / year
  - the share of global production – 7 %.
- ✓ “RUSAL” assets comprise the entire network of enterprises involved in the end-product chain: from mining works to aluminum and foil-rolling plants.

# Antimonopoly regulation on the market of aluminum and aluminum alloys



✓ FAS issued a determination to “RUSAL” (No. TsA/1777 of 14.02.2007) to apply a calculating formula to set the maximum possible level of ex-works price for primary aluminum, A7, A7Э and/or A7E grades (as standard ingots or T-bars), for buyers in the Russian Federation.

✓ According to the Determination, “RUSAL” must also submit to the federal antimonopoly authority quarterly information about sales of primary aluminum, A7 and/or A7E and/or A7E grades (as standard ingots and T-bars).

# Formula pricing on the maximum ex-works price for primary aluminum

The maximum possible ex-works price per 1 ton of primary aluminum, A7 and/or A7Э and/or A7E grades (as standards ingots or T-bars), for consumers (buyers) in the Russian Federation, EXW or FCA (a railway station or a consignor warehouse), w/o VAT, calculated under the following formula:

$$P = LME + \Pi A7$$

**LME** - average quotation value at London Metal Exchange Cash Settlement High Grade Primary Aluminium for the period chosen by "RISAL", duration - 30 subsequent calendar days within the two months preceding the delivery months, and the delivery month, unless the parties choose other quotation period upon their mutual consent.

$$\Pi A7 = \text{Preg} - Lf - Lp, \text{ where:}$$

**Preg** – average weighted value of a regional premium for aluminum, A7 and/or A7Э and/or A7E grades (as standard ingots or T-bars), or analogue brands and types (forms) in the main segment of the global market for the relevant goods, in a similar period chosen to determine LME.

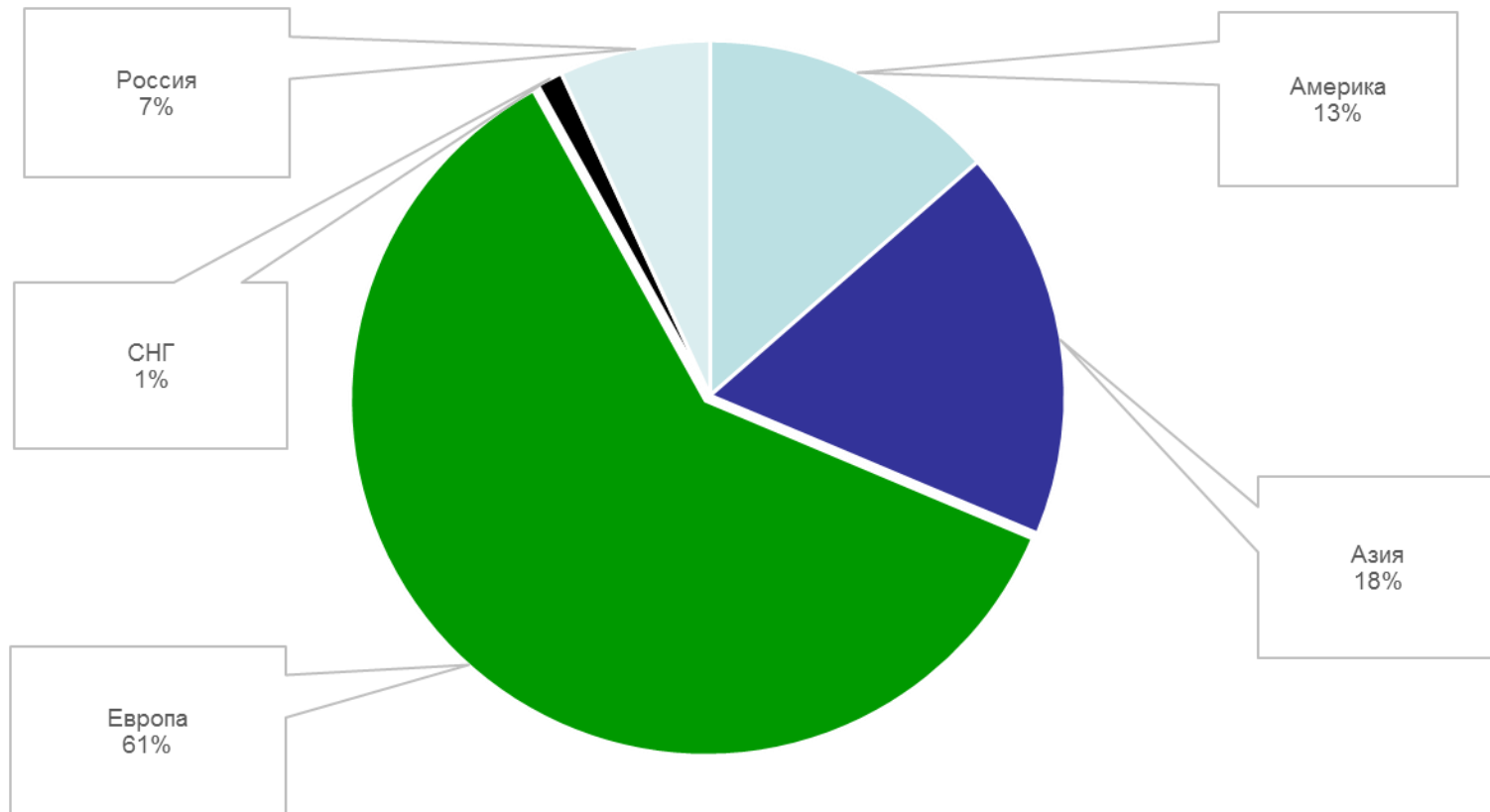
**Lf** – average weighted actual logistical costs incurred by "RUSAL" for freight from a port in the Russian Federation to the destination port outside the Russian Federation for the 3<sup>rd</sup> month preceding the shipment month.

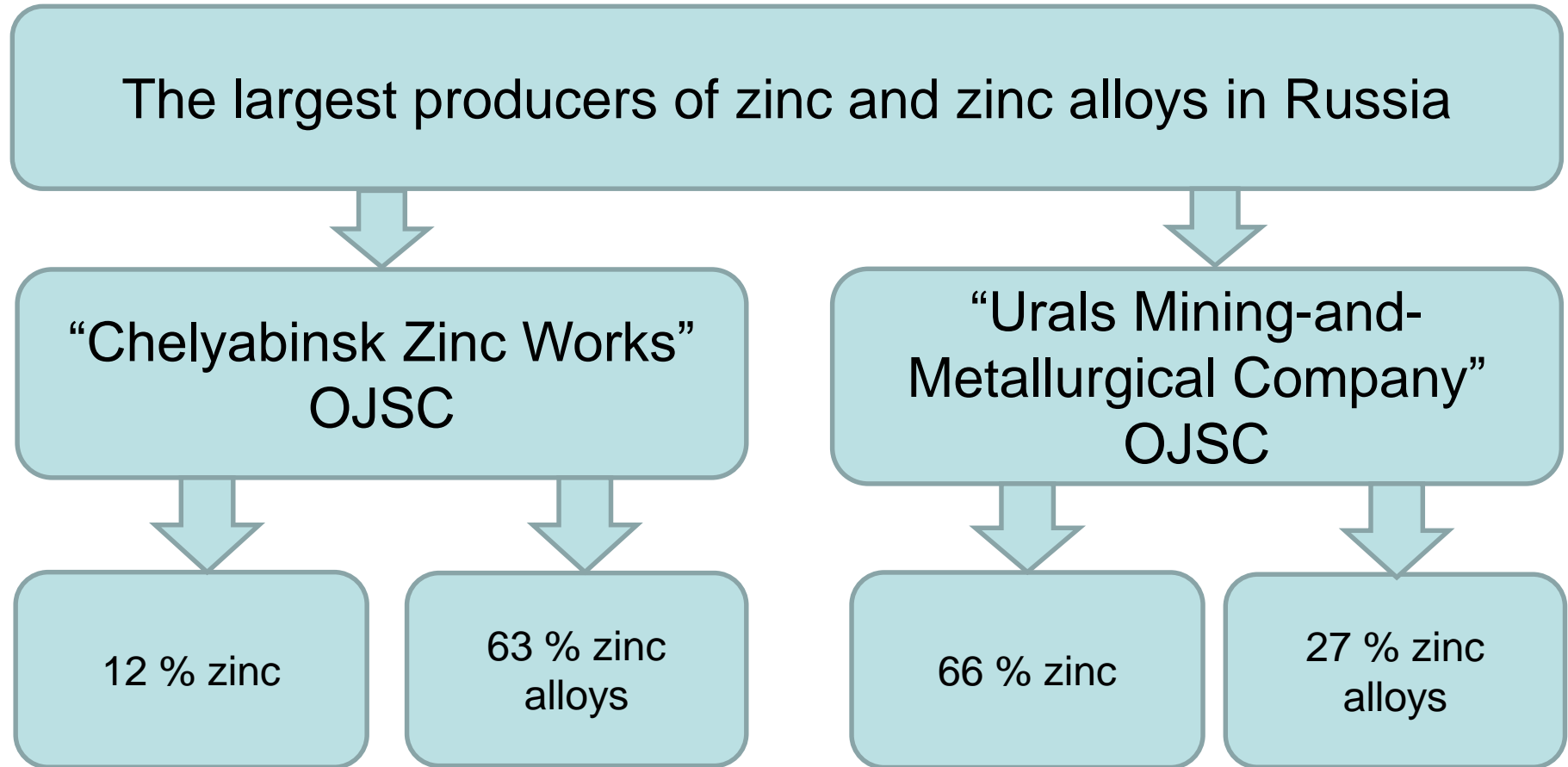
**Lp** – average actual logistical costs of "RUSAL" to deliver aluminum, A7 and/or A7Э and/or A7E grades (as standard ingots or T-bars) from production plants to the main port in Russia, factoring in the port costs to throughput the goods to a vessel in the 3<sup>rd</sup> month preceding the shipment month.

# Producing and selling aluminum A7/A7Э and/or A7E grade

“RUSAL” aluminum output, A7/A7Э and/or A7E grade, in 2015 reached 1.4 million tons

Реализация в 2015 году





# Antimonopoly regulation on the market of zinc and zinc alloys

✓ Having considered a petition of “Urals Mining-and-Metallurgical Company” OJSC for acquiring the rights that allow to determine the conditions of business activity of “Chelyabinsk Zinc Works” OJSC, FAS issued No. TsA/22266 determination of 09.07.2009 obligating the Company to notify FAS about expected price increases and submit economic analysis to the antimonopoly authority on the factors underlying a growth of zinc prices if changed by more than 10 % in comparison with the average weighted price in the preceding six months.

✓ Under the determination, “Urals Mining-and-Metallurgical Company” OJSC must submit to the antimonopoly body information about zinc output and sale every six months.



“Norilsk Nickel” Mining and Metallurgical Works” is the largest nickel producer in Russia



- “Norilsk Nickel” produces around 96% of all nickel in Russia
- Its share on the global market of nickel production exceeds 13 %
- In 2015 the output by “Norilsk Nickel” reached 266,000 tons.

# Antimonopoly regulation on the market of unalloyed untreated nickel and nickel products



Having investigated a petition on acquiring 60.15 % of the fixed production assets and intangible assets of “Norilsk Mining-and-Metallurgical Works named after Zvyagintsev” OJSC, FAS issued No. TsA/25827 determination to “Norilsk Nickel” of 26.12.2007, where calculating formulae set the maximum level of ex-works prices for unalloyed untreated nickel and nickel products for buyers operating in the Russian Federation.

# Examples of antimonopoly cases on the market of non-ferrous metals

In 2011 the FAS Commission investigated a case against “UGMK-Holding” Ltd., “UGMK-OTsM” Ltd., “Uralelektromed” OJSC, “UGMK” Trading House” CJSC and “Middle Urals Copper-Smelting Plant” OJSC upon elements of violating Clauses 6 and 8 Part 1 Article 10 of the Federal Law “On Protection of Competition”: unreasonably fixing contractual coefficients for supplying cathode copper to Russian and foreign consumers.

The case was opened upon the findings of a survey on the cathode copper market in the Russian Federation in 2008-2009.

Having investigated the case, the FAS Commission concluded that that actions exercised by the companies did not comprise any violations of Clauses 6 and 8 Part 1 Article 10 of the Federal Law “On Protection of Competition” and terminated the proceedings.

In 2014 FAS received a claim of “Valkom-PM” Ltd. that “OK RUSAL TD” OJSC refused to agree upon the quotation period proposed by “Valkom-PM” Ltd. that is used to estimate price for primary aluminum, A7/A7E/A7Э grades (as standard ingots or T-bars).

As a result of the investigation, FAS revealed that actions by “OK RUSAL TD” OJSC had elements of violating Clause 3 Part 1 Article 10 of the Federal Law “On Protection of Competition”: abusing dominance on the market of primary commercial-purity aluminum within the geographic boundaries of the Russian Federation in the part of imposing disadvantageous contract conditions upon “Valkom-PM” Ltd. for supplying primary aluminum, A7 grade.

FAS issued a warning to “OK RUSAL TD” OJSC to stop actions that have elements of violating the antimonopoly law.

“OK RUSAL TD” OJSC complied to the warning within the designated period.

# THANK YOU FOR YOUR ATTENTION!



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FAS-book



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