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Materials

Aluminium - Upside risk to our supply forecast following the resumption of EGA production

FLASH

What's new? Emirates Global Aluminium (EGA) announced that it plans to restore the production of Al Taweelah smelter in Abu Dhabi (capacity: 1.5mtpa) back to the level before the Iran war in early 2027. The target resumption comes earlier than our estimate (by late 2027), which will imply an additional 2% of our global supply estimate in 2027. We therefore expect a lack of positive catalysts for aluminium names and suggest staying on the side-lines in the near-term.

- **Background**. In Mar, EGA's Al Taweelah smelter was significantly damaged following Iran's missile and drone attacks. The smelter has been largely shut down since the attack.
- **Resumption in progress.** In the latest announcement on 12 Aug, EGA revealed that it's restoring the reduction cells. As of 10 Aug, 18% of the reduction cells have been restarted. The aluminium production will gradually ramp up as reduction cells are progressively restored. According to EGA, the production level is expected to reach pre-incident level in 1Q27. EGA added that the recovery depends on the re-opening of the Strait of Hormuz, but the ongoing development of alternative corridors is expected to reduce the reliance of the Strait in the long-run.
- **Upside risk to our supply assumptions**. We previously assumed 3% YoY growth of global supply in 2027E. EGA's latest resumption plan will potentially add 2% of new supply to our forecast, which will substantially ease the tight supply and demand profile, in our view.

China Materials Sector

OUTPERFORM

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