

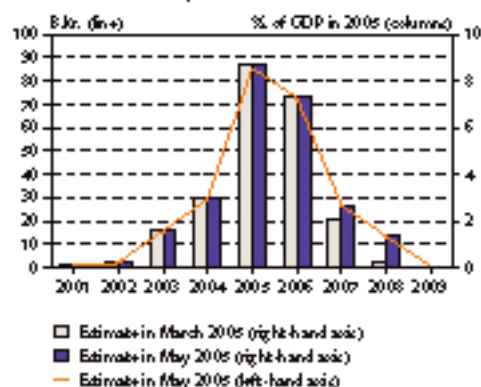
In April, Norðurál signed an agreement with Reykjavík Energy (Orkuveita Reykjavíkur) and Suðurnes Heating (Hitaveita Suðurnesja) to purchase approximately 70 MW of additional electric power for its smelter at Grundartangi, west Iceland. The agreement enables Norðurál to expand the plant's capacity to 260,000 tonnes per year (tpy). Current capacity is 90,000 tpy and an expansion now in progress will increase this to 212,000 tpy in the second half of 2006 and to 220,000 tpy by early 2007. A further expansion phase will be launched after mid-2007, adding 40,000 tpy of extra capacity when it is completed in the second half of 2008. Estimated cost of this final investment phase including power facilities to supply it is roughly 17 b.kr. Around one-third of the additional investment will be made in 2007 and two-thirds in 2008. If these plans materialise, total production capacity of the three aluminium smelters in Iceland – Ísal (Alcan), Norðurál (Century Aluminium) and Fjarðaál (Alcoa) – will be 765 thousand tpy in 2008, compared with Iceland's current capacity of roughly 270 thousand tpy. Capacity will therefore be boosted by more than 180% over the ensuing period.

## Box 2

### The status of aluminium and hydropower sector investments

chart1  
Aluminium and power sector investments:  
total investment cost 2001-2009

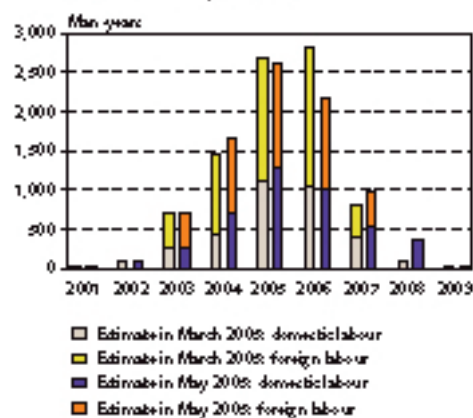
Construction of Fjarðaál smelter, expansion of Norðurál smelter and related power facilities



Source: Central Bank of Iceland.

chart2  
Aluminium and power sector investments:  
labour use 2001-2009

Construction of Fjarðaál smelter, expansion of Norðurál smelter and related power facilities



Source: Central Bank of Iceland.