

## **LETTER OF INTENT FROM MR EWING**

9 September 2016

Dear Sanjeev

### **RIO TINTO ALUMINIUM – POTENTIAL SALE OF LOCHABER HYDRO ELECTRIC POWER STATION / ALUMINIUM SMELTER**

I refer to the above sale process and confirm that, as follows, the Scottish Government is willing to provide support to assist in the maintenance and creation of employment in the Fort William and Lochaber areas and in support of the Scottish Government's commitment to Scotland's industrial and commercial infrastructure and to renewable energy provision in the context of sustainable economic growth.

In that regard, the Scottish Government is prepared to provide support to any purchaser of the above assets who makes the necessary commitment to the local community in relation to employment, industry, commerce and renewables.

#### **Appropriate safeguards**

Any support which the Scottish Government is able to provide to GFG, and other potential acquirers of the Businesses, will require to be made in accordance with Scottish, UK and EU rules and on a Market Economy Investor Principle basis.

Further, any support will require to be on terms which are satisfactory in all respects to the Scottish Government including value for money, affordability issues and compatibility with its obligation to the Scottish Parliament for the use of public money.

#### **Your proposals**

We have discussed with you the ambitions of the GFG Alliance group of companies ("GFG") to acquire the Lochaber Hydro Station and smelter complex (the "Businesses") from Rio Tinto Aluminium ("Rio"), and GFG's intention to both continue and develop further operations at Lochaber via establishing a new industrial complex at the site. We are also pleased to see your potential partnership REDACTED with regard to this transaction and the Kinlochleven Hydro Station.

As you know from our discussions, the Scottish Government is committed to continuing and developing industrial activity at Lochaber and has expressed interest in working with GFG, and other potential acquirers of the Businesses to help facilitate this.

My officials and I, together with external advisors, have discussed with GFG your first proposed structure consisting of the following two transactions:

REDACTED We have discussed with you summary terms for this proposal and the legal framework and potential constraints to us entering into such arrangements. In particular in those discussions you have undertaken to de-risk at your expense any such arrangement designed to support the aluminium smelter at Lochaber.

Your second alternative proposal, that, rather than REDACTED there would be a Scottish Government guarantee of Liberty House's obligations to purchase power from the SIMEC generation asset at Lochaber, is also being considered by us.

We offer you this firm letter of intent to continue to assess these proposals, and any development of them, with a view to determining whether or not we can enter into such an arrangement. We will use due expedition to reach a conclusion as quickly as possible.

Our willingness to consider your proposals is based on our desire to assist in the successful continued operation of the Lochaber smelter and wider industrial development at Lochaber. We will also continue to evaluate possible alternative approaches which would allow GFG to undertake the proposed investment programme.

Should GFG be selected by Rio Tinto Aluminium as a preferred bidder for the Businesses, or otherwise continue your evaluation of the Businesses, we would seek, in conjunction with you and your financing providers, to develop a suitable proposal.

## **Conclusion**

The continued operation of the Lochaber smelter plus enhanced development of industrial activity at Lochaber, and the preservation and creation of employment and economic value that this entails, are high priorities for the Scottish Government. The sole purpose of the provision of this letter is to obtain our industrial development objectives. The Government's strong commitment to assist in the maintenance and creation of employment in the Fort William and Lochaber areas is being made known in similar terms to other relevant potential acquirers of the Businesses through Rio Tinto Aluminium.

**Fergus Ewing**