

**Remarks by John Pizzey
Executive Vice President, Alcoa
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Thanks for the introduction Steve. it is a pleasure to be here...

Steve titled my remarks "Global Climate Change — Alcoa's Sustainable Development Initiatives."

This title acknowledges that Alcoa has moved beyond the debate about the science of climate change to addressing what is now demanded by the community — that industry must produce more and more to meet higher consumer demand while at the same time integrating social and environmental values into their operations. While there is little understanding within the community about the implications of these demands, the very real trade-offs involved, that lack of understanding does not absolve us from the obligation to manage these competing imperatives. To some extent we have encouraged this expectation by accepting incremental demands without informing the community that they impose significant social, economic and environmental costs that are eventually reflected in the availability and affordability of the goods they require.

The demand to address climate change puts this question up front. Yes, we can and are introducing and implementing policies and practices to mitigate the impact of human influence on the global climate.

Climate change has become the "bell weather" for sustainable development at the expense of the broader discussion required to address the key issues of economic growth and social needs.

The truncation of sustainable development to "*sustainability*" has shortchanged industry on its successes in the implementation of major structural and technological developments at a global level.

Global problems demand global solutions, and with the increasing integration of China and Russia, we have seen the emergence of a truly global market in aluminum that puts a global solution within reach.

The integration of the Russian Industry into the world aluminum business has been achieved. The two major groupings in the Russian industry, RusAl and SUAL, are taking their place in the world forum. Active participation in the International Aluminum Institute is now planned, as they become mature members of the industry.

Similarly, the opening of China as a major market competitor and place for investment has brought the last big building block of our industry to the world stage. At the next meeting of the IAI the Chinese industry should be welcomed as members and we must allow for the future incorporation of their statistical data into the world supply and demand. Their performance data will allow true global comparison of world operating practices.

The rapid integration and opening of these markets combined with increased investment flows and mobile capital provide the incentive and the means to widen the adoption of sustainable development principles.

There have also been significant successes in the application of technology to both cost and customer demands from the beverage to aerospace and automotive sectors. The battle to make aluminum an integral part of the automotive manufacturing industry has turned from a glimmer of hope when I started in the industry 30-plus years ago to substantial victory. In the last decade alone, the use of aluminum in cars has doubled as consumers demand improved performance, safety and gas mileage without sacrificing vehicle size.

However the market and our customers demand that we stay responsive to their changing needs and circumstances. They have set us a number of challenges that we must recognize and resolve.

What are these challenges?

First of all, the entire industry is caught in a massive supply/demand squeeze. Prices are eroding, as indicated by trading on the London Metal Exchange.

This squeeze comes at a time when the industry must attract capital to invest in new plants — to meet the expected demand from growing economies, to replace older production facilities with more efficient systems and to meet ever-increasing environmental requirements.

The industry is global. The problems are global and the economic solutions are global. So, too, must be the application of sustainable development principles.

Sustainable development is a concept that allows us to address how we do business, how we interact with our plant communities and other stakeholders, and how we look at public policy issues.

It is in this context that Alcoa has made a significant commitment to address climate change. This is a core issue for us, and for the global aluminum industry. Leave the environmental drivers aside, the commercial imperatives are pressing. When Australia, my home country, tries to ban aluminum use at the Sydney Olympics because of greenhouse issues, I know we have a problem.

Addressing climate change makes long-term economic sense.

I particularly want to stress the phrase “long term”, because that is what we are faced with. We need to act now so we can hand over to our successors an enterprise positioned for future growth that is, in fact, sustainable, renewable and lasting.

In my opening remarks I said we no longer debate the science of climate change at Alcoa. While the science may not be perfect, Alcoa believes that the build-up of carbon dioxide and other greenhouse gases in the atmosphere is evidence enough that current activities associated with fuel consumption and land-clearing are not sustainable.

We have committed ourselves to reduce our greenhouse gas emissions by 25% by 2010 from a base year of 1990 on an absolute basis, with no adjustment for the significant production increases that we have had since 1990 and expect to have by 2010. I'm pleased to tell you that we have already reached 90% of our goal. If the inert anode technology is fully commercialized by 2010, we can actually achieve a 50% reduction in our greenhouse gas emissions.

The inert anode is an exciting development. There have been hurdles unforeseen at the start but most have been jumped. We can see success but I am not announcing that tonight because this is still “Big R” in research and development. But we have shown the scientific validity of the process and other senior players in the industry are starting to file patents on similar issues.

This is the industry playing to its strengths — the ability to marshal the financial, scientific and technical resources to create sustainable solutions to existing challenges, and to those that are sure to emerge over the long term.

What should we, as an industry, do to address climate change?

- We should continue to reduce our greenhouse gas emissions. We should commit to increasing our energy efficiency and reducing our emissions intensity.
- We should focus on efficiency as the key to emissions reductions, while continuing to deliver the economic means for achieving environmental and social goals.
- Greenhouse gas emission reduction measures start at the shop floor. As an example, we have completed a study at one Alcoa plant and identified investments of \$16 million in greenhouse projects that can produce annual cost savings of \$6.6 million and reduced carbon dioxide emissions by 193,000 tons a year.

As an aside, let me say that we can address other emission issues alongside climate change, using the same process. Alcoa has committed to cutting all its major emissions over the next decade ... by as much as 60% for SO₂, 30% for NO_x, 50% for VOC and 80% for mercury. We are ahead of schedule in meeting those goals today.

To help ourselves succeed and to show that aluminum has high sustainability value, we need to make sure that what we do is transparent and measurable.

One tool to do this is Life Cycle Analysis. LCA allows us to demonstrate the long-term value of our products and the renewable nature of aluminum, and to communicate those characteristics to our stakeholders. And we must be willing to have our reports verified by outside parties. Slogans, self-promotion and advertising won't get us there.

The International Aluminium Institute in London has been working on life cycle analysis for more than four years and has published reports on the use of aluminum in automobiles and construction.

At Alcoa, LCA is an integral aspect of our sustainable development initiatives. We once said that our real impact on the environment could be judged only in terms of a full "cradle-to-grave" analysis. Today, we look at LCA as "cradle to cradle" because full recyclability translates into an enduring expression of sustainability. For example, a typical passenger car can replace two kilograms of heavier materials with one kilo of aluminum, and save the equivalent of 20 kilograms of CO₂ emissions over the life of the car. In buses and long haul trucks with longer life spans the reduction in GHG emissions can be twice as much. Whatever engine drives the vehicles of the future (fuel cells or hybrids), aluminum will continue to be a critical part of any strategy to reduce emissions in transportation.

Sustainability requires environmental excellence, economic success and social responsibility. This is the Alcoa Business System at work. We have developed a strategic framework that allows each of our businesses worldwide to develop its own goals and action plans within that framework. The set of goals we have established will serve as milestones along the way to our ultimate vision of a company where:

- All wastes have been eliminated
- Products are designed for the environment
- The environment is fully integrated into manufacturing
- The workplace is free of injuries, spills and leaks, and
- Alcoa is recognized as a leader and partner in every community where it has operations.

In fact, we are now developing a new goal:

- By 2020, 50 percent of our products, except raw ingot that we would sell to others directly, will be made from recycled aluminum.

In a little over a century of use, Aluminum has a proven record of enduring and renewable use; approximately two-thirds of aluminum ever produced — 440 million tons of 680 million tons manufactured since 1886, up to 440 million tons -- is still in use. Setting this goal will allow us to build on that record of a truly sustainable metal.

Next year, Alcoa will begin filing a Sustainable Development Annual Report following the guidelines established under the Global Reporting Initiative. This detailed report will present a clear and total picture of the economic, social and environmental performance of our company in one document.

These actions are not just about the United States. These actions are global in nature. Aluminum industry trade associations outside the US are addressing and moving forward on Sustainable Development.

I believe every member of the Aluminum Association not already involved in addressing Sustainable Development needs to do so and do so quickly.

Adopting a philosophy of pursuing maximum efficiency and minimum environmental impact, measuring progress towards our goals and publicly reporting our progress is key to the future success of the industry. We also need to be open in recognizing that we have problems to address and be about addressing them in plain view.

Large corporations with their organizational skills and ability to operate across international boundaries are particularly well equipped to meet the needs of global society. Both community and governments are challenging us to go beyond our traditional role of efficiently meeting their economic needs — they are telling us that it must be done with a smaller environmental and social footprint.

This point was emphasized in the outcomes of Johannesburg Summit where it was made clear that governments require our involvement in extending the benefits of prosperity.

If we are to differentiate our industry and have our message lifted above the noise of the crowd, we must define our commitment with clearly visible and disseminated results. Unless we are perceived to be a sustainable enterprise, new smelters will not be permitted, new mines will not be allowed, new residue ponds will not be approved and electric power projects for our industry will not be built.

If industry is to succeed it must both accept and respond to the challenges embodied in sustainable development. Our role is to exploit our significant resource base (capital, research and intellectual) and partner with the community in the creation of worthwhile enterprises that create value for shareholders and community alike.

I urge the leadership of the Aluminum Association to adopt an aggressive approach to Sustainable Development that positions the organization and its members as leaders and innovators.

Thank you again for the opportunity to be with you tonight