



Final Transcript

CENTURY ALUMINUM COMPANY: 4th Quarter 2016 Earnings

February 23, 2017/4:00 p.m. CST

SPEAKERS

Peter Trpkovski – Investor Relations Manager
Mike Bless - President and Chief Executive Officer
Erich Squire – Senior Vice President, Finance
Shelly Harrison – Senior Vice President, Finance and Treasurer

ANALYSTS

Jorge Beristain - Deutsche Bank
John Tumazos - John Tumazos Very Independent Research

PRESENTATION

Moderator Ladies and gentlemen, thank you for standing by and welcome to the Century Aluminum Fourth Quarter 2016 Earnings call. At this time, all lines are in a listen-only mode. Later there will be an opportunity for questions and instructions will be given at that time. [Operator instructions]. And as a reminder, this conference is being recorded.

I'll now turn the conference over to Investor Relations Manager, Peter Trpkovski. Please go ahead, sir.

P. Trpkovski Thank you very much, Kathy. Good afternoon, everyone, and welcome to the conference call. I'm joined today by Mike Bless, Century's President and Chief Executive Officer; Erich Squire, Senior Vice President of Finance; and Shelly Harrison, Senior Vice President of Finance and Treasurer.

As a reminder, today's presentation is available on our website at www.centuryaluminum.com. We use our website as a means of disclosing material information about the company and for complying with Regulation FD.

I would also like to remind you that today's discussion will contain forward-looking statements related to future events and expectations, including our expected future financial performance, results of operations and financial condition. These forward-looking statements involve important known and unknown risks and uncertainties, which could cause our actual results to differ materially from those expressed in our forward-looking statements. Please review the forward-looking statements

disclosure in today's slides and press release for a full discussion of these risks and uncertainties.

In addition, we have included some non-GAAP financial measures in our discussion. Reconciliations to the most comparable GAAP financial measures can be found in the appendix to today's presentation and on our website.

With that, I'll hand the call over to Mike.

M. Bless

Thanks very much, Pete, and thank you to all of you for joining us this afternoon. If we could turn to Slide 4 please, we'll get right into an overview of the last couple of months. Importantly all the facilities were stable during the fourth quarter and into 2017 and the operations performed generally very well.

The few operational issues that we had faced at Sebree and Grundartangi over the summer quickly corrected and these two excellent plants are back to performing as we come to expect. And I will give you more detail on the operations in just a few moments.

Moving on the financial results for the quarter, if you've had a chance to look, were favorable. We saw strong profit conversion and good cash flow in this environment. We believe we have an aggressive cost structure now in place and we're confident that it'll result in strong cash flow conversion in the current or in improved industry conditions.

To remind you most of our sales are priced at least two months prior, so we'll see the impact of the current pricing environment in Q1 and even more so in Q2. In just a few minutes Erich and Pete will provide some detail on the quarter that just ended, as well as our expectations for 2017.

Moving along, we saw some important progress on our fair trade efforts during the last several months. As you likely saw in early January the US government brought a WTO case, accusing China of illegally subsidizing its primary aluminum industry. The facts here are relatively straightforward. Since the early 2000s the Chinese government has directed a massive build-out of its primary aluminum industry. During this time period, their production of primary aluminum has gone from 2 million tons to over 30 million tons, that's 10% of the global total to 55% today. During that same period, annual production growth in the rest of the world has averaged just 1%.

Their remarkable growth has been achieved through tens and tens of billions of subsidies fare illegal under WTO rules. A significant amount of those subsidies have been provided in the form of below market financing through various means; I'll list a couple for you. There's been provision of capital to entities unable to garner market base financing otherwise, loans and terms significantly favorable to market terms, sale of assets to government entities for far above market value and similar measures. In addition there has been tens of billions of dollars in other forms for example free land, tax abatement and other measures, and of course subsidies on coal, other fuels and other inputs like electric power and alumina.

Many of these subsidies aren't hidden, in fact they're openly advertised. We've all seen curtailment announcements that have quickly been rescinded upon receipt of the subsidy from a government entity. One major publicly traded producer even has a line item on their financial statements entitled, Subsidies from the Government.

We have recently seen a significant development on the case. As you've probably seen several governments have asked to join the WTO case,

these include the European Union, Canada, the Russian Federation, and Japan. We believe this is tangible acknowledgement the global industry believes that problem is there and very significant.

If the trade laws were enforced we're convinced that significant capacity and production would quickly be shuttered. Shelly will speak to you in a minute about the current industry dynamics and by inference what impact the enforcement of the trade laws could have on the supply demand balance.

Okay, moving on, we've seen some developments during the last couple of months on several of the company's other strategic issues. As you may have seen a couple of weeks ago, we completed the disposition of the Ravenswood, West Virginia smelter site. Those of you who've followed the industry for some time now this was one of the oldest operating smelters when it shut. In fact Ravenswood Aluminum Company was the predecessor to what eventually became Century Aluminum. Regrettably the plant had to be curtailed during the financial crisis and never did reopen. It was especially disappointing as we had a lot of support, the leadership of West Virginia expanded great effort to try to help create the conditions in which the plant could restart. And for many reasons we're

really pleased that the buyer intends to maintain an industrial operation at the site. We believe the terms of the transaction are good; the price compares favorably to recent sales of curtailed smelters and the buyer assumed all the liabilities.

On a related development as we told you about in October, we had reached a preliminary settlement of the retiree medical litigation in West Virginia and that's now been submitted to the court on exactly those same terms. Assuming it's approved by the court, it would be finalized most likely later in 2017.

Moving along, we had a disappointing result to the second arbitration regarding one of the original power contracts for the Helguvik project in Iceland. As you may recall those contracts were originally signed in 2007. Unlike the first arbitration panel in 2011, this panel ruled that the conditions to the contract were not going to be fulfilled unless that contract is now void. The second contract is still valid, and since 2009 we've been taking some power under it for use at Grundartangi and this will continue.

We do continue to believe that at some point this project should make sense. Sufficient power resources appear to exist in areas deemed sensible to develop but of course Iceland as a society needs to decide when and how to develop that power and of course for what use. Given all of that we'll continue to pursue this project. However US accounting rules do require us to impair the carrying value of the asset at this time. That has a regrettable impact to the balance sheet but no effect otherwise. We had no maintenance covenants of any type, no covenants impacted by this type of non-cash write down, and of course it has no commercial or economic impact.

Okay last, an important development in our quest for fair treatment in South Carolina obviously with the goal of making our Mt. Holly smelter competitive. Let me just remind you of the background here. We are now purchasing, and have been for some time, 25% of the power from Mt. Holly from the local power supplier at its requirements. The price of that power is well over double the delivered price of the power we buy from the market for the remaining 75%.

And when you put those two sources of power together, the weighted average price is just shy of the 70th percentile on the global cost curve.

It's the highest price by far paid by any US smelter and it obviously makes Mt. Holly uncompetitive. If we were able to purchase that last 25% from the market, and obviously we are 100% exposed to the market, the plant would be nicely in the second quartile of the global power cost curve.

As you know, Mt. Holly is competitive in every other manner, value-added account for almost all of the plant's production. We have a terrific customer base; production efficiencies are very good even in the company of more modern smelters and a lean cost structure. Most importantly at that plant we really do have a terrific and engaged group of employees.

The power cost however overwhelms all that, so we must find a solution. Over the months and frankly over the last year or two, as you know, we've continued to propose a structure we believe is the best alternative for Mt. Holly and for all the various constituencies. That structure is pretty straightforward. Mt. Holly would purchase all of its power from the market; this means enough power to power the entire plant. As you know only one of the two pot lines is operating today.

And for transmitting the power to the plant, Mt. Holly would pay the local power company its standard transmission tariff, just like everybody else

pays. We believe the data clearly supports that this proposal is in the best interest of the power company and all the various constituencies, but for reasons we can't understand the power company hasn't seen it this way.

So a few weeks ago as you probably saw, we filed an antitrust lawsuit.

Let me just back up and give you the context of this for a minute. Under federal and state laws in order for any entity, and certainly the one like this local power company, in order for any entity to be exempt from the antitrust regulations, it needs to clear a couple key hurdles. And the most important ones here are two-fold. Number one it needs to act pursuant to a clearly articulated state policy, and two it needs to be actively regulated.

And if you think about it, the law make sense. An independent expert body needs to have the authority so that users aren't faced with an unregulated monopoly, an unregulated monopoly that's acting far beyond the authority granted to it in its founding legislation that has no oversight by the state and is harming consumers. Regrettably we believe that's exactly what's happening here.

At the local power company decisions are made solely by the management and approved by a board of directors. That includes important things like

rate increases, which would of course normally go through a detailed regulatory process and review, and it also includes matters like ours at Mt. Holly.

As a reminder we went through exactly this in Kentucky several years ago. We proposed the exact same structure, full market access and the payment of the standard transmission tariff. The proposal was put to the Kentucky Public Service Commission, the regulator there, and the PSC ruled that our proposal was in the best interest of all. And for the past three plus years it's been working very nicely for everybody.

Unfortunately the South Carolina Public Service Commission and other regulatory bodies have no authority over this local power company's conduct, and thus we were forced to file this lawsuit. We're confident it'll be successful.

And with that, I'll turn you over to Shelly for some thoughts on the industry.

S. Harrison

Thanks, Mike. If we could along to Slide 5, please, I'll provide some comments here on the industry environment. The cash LME price

averaged \$1,710 per ton in Q4, which reflects a 6% increase over Q3.

Since year end the aluminum price has continued to strengthen and it's currently sitting at \$1,880 per ton. Delivery premiums in both US and Europe continue to strengthen Q4, averaging \$7.60 per pound in the US and \$131 per ton in Europe.

Similar to the LME price, these delivered premiums have had a nice run so far in Q1 and are currently sitting at \$0.10 per pound for the US Midwest premium and \$165 per ton for the European duty paid premium. As reported by CRU the global aluminum market experienced a deficit of about 725,000 tons for 2016. Excluding China, the aluminum market was short about 1.2 million tons while excess supply from Chinese producers offset a meaningful portion of this Western world deficit.

We continued to see good demand growth in 2016 with a 5.3% increase in global consumption year-over-year. Chinese demand growth at 7.4% was better than anticipated with continued strength from the construction sector. Global primary aluminum production was up 3.1% in 2016, driven by start-ups and restarts in China towards the back half of the year.

There has been a significant amount of speculation recently that Chinese producers will be forced to curtail aluminum production in heavily polluted regions. These environmentally driven production cuts could impact as much as 20% of the global aluminum supply during the heating season month of November through March. Even if these temporary curtailment actions do take place, China is still expected to be in a meaningful surplus position for 2017.

There is also significant speculation in the market about trade remedies that may be imposed on Chinese aluminum. As Mike mentioned, the US government has filed a trade case with the World Trade Organization accusing China of providing massive illegal subsidies to its aluminum producers. The European Union, Canada, Japan and Russia have all joined the case, demonstrating the global effect of China's unfair trade practices. It's early days of the process but we believe it's a meaningful step towards creating a level playing field for all of aluminum producers.

Over the last many years there had been lot of discussion about rationalization of Chinese production capacity. And we've always been highly skeptical of cutbacks actually occurring given the historical track record. We're cautiously optimistic that the actions being contemplated

today will have a meaningful impact on our market given that this is no longer solely dependent on China self-regulating but rather a global movement with strong support at the highest levels of government.

Absent any meaningful reductions in Chinese production, most industry experts are forecasting the global aluminum market will be reasonably well balanced in 2017 with a sizable deficit in the Western world being wiped out by the ongoing surplus in China.

Okay, just a couple of quick comments on the alumina market before I hand it back to Mike. Alumina prices continue to increase over the fourth quarter, and ended the year close to \$350 per ton in reaction to expensive caustic soda and coal prices, as well as logistical constraints in China.

Similar to aluminum, there's been a significant amount of discussion around seasonal cutbacks of alumina production in heavily polluted regions of China. However, we are anticipating downward pressure on the alumina price near term in reaction to Chinese refinery restarts and start-ups in 2016 and early 2017.

And with that, I'll hand it back over to Mike.

M. Bless

Thanks, Shelly. If we can turn to Slide 6 please, let me just make a couple comments on the operations during the quarter before we get right to the financial results. As you see here, we generally had a very good quarter in safety performance. All the plants continue to make continuous improvement.

As you may remember in October when we talked to you, we were especially proud of Grundartangi and Sebree as they avoided serious injuries during the operational excursions during the summer months. And this performance has continued really well at Sebree. At Grundartangi which you're looking at there is only one more incident Q4 over Q3. So we have the law of small numbers working there, but generally good results from all plants.

Moving down, good performance also on hot metal production. What you see there at Hawesville is down less than 1% quarter-to-quarter due to a slight increase in self-failures in December, and that problem has been corrected very quickly. We're now at full strength at Hawesville in terms of all the cells being operating.

Production metrics as you see strong across the businesses and importantly good performance in conversion costs, which led to strong profit conversion. And again, this gives us confidence that we have the cost structure to thrive in this higher pricing environment.

As you see, Sebree in particular did an excellent job in controllable costs. Just to give you a couple of examples, labor costs were down 15% quarter-to-quarter, and maintenance and supply costs were down 40%. Mt. Holly as you can see is continuing to perform well and that performance is all the more impressive when you think about the environment of uncertainty in which the employees are living at that plant. Again, this cost performance underpins our view that the company is really well-positioned as the trade efforts and other factors lead to an improving commodity price.

With that, I'll give you to Erich who will take you through the results for the quarter and for the full fiscal year. Erich?

E. Squire

Thanks, Mike. Let's turn to Slide 7 of the presentation and I can walk you through the fourth quarter results. On a consolidated basis global

shipments were up about 0.5%, and net sales were up just shy of 2% quarter-over-quarter.

Next I'll give you some market pricing data all of which are on a two-month lag basis. Cash LME pricing was up 3% quarter-over-quarter. Looking at US pricing, the Midwest premium was down 15%, but when combined with the LME movement resulted in the Midwest transaction price up by 1% or about \$15 a ton. US realized pricing was also up, in line with these market movements. I would note that value-added product premiums in the US remained depressed in Q4 as was the case in Q3 and we expect this to continue well into 2017.

Looking at pricing for the Icelandic operations, the European duty paid premium was down 1%, but when combined with the LME movement, resulted in a European transaction price up 2% or about \$40 a ton. Icelandic realized pricing was also up in line with these market movements. Of course, the recent positive market movements in the LME and regional premiums that Shelly mentioned earlier will flow to our results in Q1 and Q2 due to our sales price lag.

Turning next to operating profit, we're reporting an adjusted EBITDA of \$12 million this quarter, which is an increase of \$17 million when compared to the adjusted EBITDA loss of \$5 million for the third quarter. EBITDA adjustments in this quarter included an impairment charge related to the Helguvik project, and a non-cash adjustment to the carrying value of inventories. As Mike discussed earlier, the \$152 million impairment charge is non-cash and required under GAAP accounting as a result of the unfavorable arbitration ruling. Although we continue to pursue and explore options to secure power in order to move forward with this project at some point in time, we impaired the entire value of the investment during the fourth quarter.

Next I'll walk you through the major items driving the increase of \$17 million in our adjusted EBITDA for the quarter. Market factors contributed a net \$4 million increase with favorable all-in aluminum pricing, power prices and raw materials being partially offset by higher alumina prices. Sales volume and product mix contributed net \$2 million favorable primarily on higher sales volume. Finally, reduced operating costs across all smelters contributed \$11 million favorable, most significantly at the Sebree facility as Mike mentioned.

I would like to make one comment on the adjusted net loss this quarter, we've seen improvements there of \$0.19 on adjusted earnings per share. In addition of course to the Helguvik impairment charge and inventory adjustment referenced earlier, we adjusted net income for \$7 million discrete tax charge. This charge was a non-cash balance sheet adjustment associated with expiry of Grundartangi's tax agreement. As a result Grundartangi's tax rate will increase from 18% to the statutory rate of 20% effective January 1, 2017.

Looking next at liquidity, we have no outstanding borrowings under our revolver other than letters of credit. We ended the quarter with \$132 million in cash and \$100 million of availability under our revolving credit facilities. The facilities are secured by both accounts receivable and inventories and availability under the revolver will fluctuate as our working capital levels move during the year.

Turning now to Slide 8, we will take a look at cash flow during the quarter. Cash increased this quarter by \$14 million. Capital expenditures were \$9 million. We had a net cash inflow of \$6 million from taxes as a result of an Icelandic holding tax refund of \$10 million received at the quarter. We made our second semiannual interest payment of \$10 million

this quarter and saw \$15 million working capital improvement primarily associated with favorable timing of shipments and payments at year end.

I would also note that, on balance, we expect to see an increase in working capital starting in the first quarter of 2017 as a result of routine changes in payment terms on some of our commercial contracts.

If we move to Slide 9, we can look at full year performance. On a consolidated basis global shipments were down about 20% due to the US production curtailments made during the fourth quarter of 2015. Net sales were down just over 30% year-over-year attributable to these production curtailments, as well as unfavorable market pricing.

I'll give you some quick market pricing updates all of which again on a two month lag basis. First, cash LME pricing was down 11% year-over-year. Looking at US pricing the Midwest premium was down 48% which when combined with the LME movement resulted in a Midwest transaction price down by 17% or about \$350 a ton year-over-year. Looking at pricing for the Icelandic operations, the European duty paid premium was down 52%, which when combined with the LME movement

resulted in a European transaction price down 17% or about \$340 a ton year-over-year.

Turning next to operating profit, we're reporting an adjusted EBITDA of \$29 million for 2016 which is a decrease of \$71 million when compared to an adjusted EBITDA of \$100 million for 2015. EBITDA adjustments in 2016 include an impairment charge related to the Helgøvik project, charges related to the closure of the Ravenswood facility and non-cash adjustments to the carrying value of inventories.

Next I'll walk you through the major items driving the decrease of \$71 million in our adjusted EBITDA for the year. Market factors contributed net \$90 million to the decrease, lower aluminum pricing was partially offset by reduced alumina and other raw material costs. Reduced operating costs across all smelters contributed \$19 million favorable due to the significant operational cost reductions made during the year including those associated with curtailments.

Turning now to Slide 10, we'll take a look at cash flow during the year. Cash increased by \$17 million. Capital expenditures were \$22 million. We paid net taxes of \$4 million and interest payments of \$20 million

during the year. We received a one-time payment of \$13 million associated with the purchase of the Mt. Holly facility and saw a \$21 million working capital improvement.

Looking at the year-end numbers on balance, we went into 2016 with the modified operating configuration and unfavorable year-over-year market conditions but we're able to reduce operating costs and still generate positive cash flow.

With that, I'll pass to Pete who will speak to some of our expectations for 2017.

P. Trpkovski

Thanks, Erich. If you could turn to Slide 11 please, I'll take you through the company's expectations for financial measures in 2017.

Sebree and Grundartangi continue to run at full capacity while Hawesville and Mt. Holly run at 40% and 50% respectively. As in prior years, we give you our expectation for the premium we receive on value-added products over standard rate aluminum. We estimate approximately \$180 per ton over the LME and original premium on average over just all of our value-added tons not a weighted average over all tons. As Erich

mentioned, product premiums in the US remained depressed and we have updated our product mix accordingly to maximize our margins in this environment.

Now moving on to some of our largest cost components, power and alumina. First for power, we used the forward screen of MISO Indiana Hub for Kentucky energy prices that result in a delivered price in the upper \$30 per megawatt hour. Year-to-date delivered prices have averaged in the low to mid 30s as a result of mild winter conditions in the US Midwest.

In South Carolina we use the Henry Hub natural gas price of \$3.23 per MMBTU. Prices have also subsided in the US Southeast, and gas prices have decreased to below three. Just a reminder that in South Carolina, as Mike mentioned, that only applies to 75% of their power requirements.

On alumina we assumed a \$300 per ton alumina index price. In 2017 all of our requirements will now be priced on the index, as opposed to a portion being priced as a percentage of LME as was the case historically. This change increases our sensitivity to movement in the LME price. So for every \$100 per ton movement in the LME commodity price, our

annual EBITDA is now impacted by \$62 million. You can find this and the rest of our sensitivities to premiums, power and alumina on Page 18 in the appendix of our slides.

Using those market assumptions on power and alumina, as well as the regional premiums described in our footnotes, we've updated our forecast for cash cost. Similar to prior years, we present our net cash cost net of all premiums received above the LME and is directly comparable to the LME price. So if you take the LME and deduct our net cash cost, the result is our expected cash margin per ton with no further adjustments needed. Similar to last year, we gave you the reconciliation of our net cash cost on Page 19 in the appendix.

Okay, if we can turn to Slide 12 please, I'll give a couple more comments before we turn it over to your questions. As Mike said earlier we have now finalized the sale of our Ravenswood facility and receive proceeds of approximately \$15 million in the first quarter of 2017. We will pay \$5 million later this year as a result of the retiree medical settlement and pay the remaining \$18 million evenly over the course of the next nine years.

Our SG&A is expected to be just under \$40 million, \$4 million of which is non-cash. Interest is flat year-over-year.

Moving down to CapEx, similar to last year our expected spend is between \$25 million and \$30 million, of which \$10 million is related to maintenance spend. On taxes, we continue to expect our US NOLs to shelter essentially all of our US taxable income other than some modest state taxes. In Iceland, as Eric mentioned, we will accrue at a rate of 20% going forward.

Lastly our consolidated cash flow breakeven using all the items just discussed is \$1,665 per ton. As a reminder this is an LME direct equivalent number and represents our cash flow after maintenance CapEx, SG&A, cash interest, cash taxes and any other corporate cash outflows but excluding any discretionary CapEx.

With that, we'll take it over to your questions. Kathy, can you please start that please?

Moderator

Certainly. [Operator instructions]. And our first question is from Jorge Beristain with Deutsche Bank. Go ahead please.

J. Beristain Hi Mike, it's Jorge Beristain with DB, maybe just a macro question first. All of the WTO trade case filing, how physically could a ruling happen—I mean we're more familiar with US Steel filings that physically slap a tariff on imported steel but how could this work in the world of aluminum? Could you walk us through the mechanics of what the WTO could accomplish in order to get the Chinese basically to control their excess production?

M. Bless Thanks, Jorge. It's no different than steel. I mean the remedy can come in lot of different—if you're asking what the specific remedy could be—yes it could come in any number of different flavors, as you say, tariffs, quotas, combination of the two. Really, bespoke is a fancy word, but there's no specific formula here that the WTO has to use.

J. Beristain But does the WTO then leave that to the local commerce department of each country to enforce? I'm just not understanding how the—

M. Bless No, absolutely not. It's the WTO ruling. Just to give you—to complete the answers. So A, it's a WTO ruling. The first thing that would happen before even the remedies would be decided is that the order would come,

if it made it this far—we're hoping of course that there can be a negotiated settlement of some sort. But if it got this far, where we would come for the subsidies to cease.

J. Beristain Okay. And then who would be in charge of enforcing that?

M. Bless In charge of enforcing that would be the WTO. This all happens under the auspices of the WTO. Is that your question?

J. Beristain Yes. I'll move on. On a micro level just in Iceland, could you just explain the trigger reason there for the write-down? You're saying that really nothing has changed, so you're maintaining the full optionality there to proceed with Helguvik. But could you just clarify what was the trigger that caused the write-down?

M. Bless Yes, sure. And as you say, the lead in to your question is correct. But going back to 2007, we signed two power contracts for Helguvik. They were the basis of the project obviously. They were with two Icelandic power companies. They were for 60% and 40% respectively of the power required for the project, the plant that was designed, which was a full pot line.

One of those counterparties, I don't know if you remember, Jorge, or this may have been before you were following us, brought in arbitration in 2011 in essence trying to get the contract voided, without going into all the details which I'm happy to do. At that time, it was unsuccessful. The arbitration panel found that the contract was still valid, and that the parties should still work to satisfy the various conditions, blah, blah, blah.

They brought the same, in essence, the same arbitration this time last year and regrettably the result was the opposite this time. The panel found that the conditions, because of the passage of time, hadn't been satisfied and wouldn't be satisfied. And thus under their contractual right, they voided the contract.

So that was the trigger. We now only have one contract remaining, and it's for 40% of the power that would be required. And thus there's no, under the contract as it existed, not sufficient power to build the plant. So we would have to go out and acquire, procure, a significant amount of additional power in order to make the project viable. So that was the trigger. Very simple, we lost our power, to say it simply.

J. Beristain

Okay, got it. I'll hand it off. Thank you very much.

M. Bless

Thanks, Jorge.

Moderator

Thank you. Our next question is from John Tumazos with John Tumazos Very Independent Research. Go ahead please.

J. Tumazos

Thank you for taking my question. I'm a little confused about the Chinese cutting output to reduce pollution during the cold weather months.

M. Bless

Yes.

J. Tumazos

The International Aluminum Institute data published this week had the Chinese metal output up 19% from a year ago, in January.

M. Bless

Yes.

J. Tumazos

When are their curtailments wanting to take effect?

M. Bless That's a good question. You heard what Shelly said. I don't even think she had to read between her lines or her words to say we're skeptical, period.

Shelly, do you want to expand on that?

S. Harrison Yes. And I don't think the discussion is about this winter heating season. It's next. So, 2017, so November 2017 through March 2018 is what people are really talking about.

M. Bless We've seen this kind of thing before. John, you've been following the sector long enough to know that. Curtailments that have been promised is not announced, even announced as I said they've not happened. That's part of the problem. That's part of why the surplus is there today, and driven by the subsidies. This one feels a little bit—and whether it's in response to the WTO case having been filed or not, this one feels like there maybe a little bit more behind it, but we're in show-me mode here. But Shelly that's a good answer, if it happens it's prospective.

J. Tumazos Thank you.

M. Bless Thanks, John.

Moderator [Operator instructions].

M. Bless We appreciate everybody's time and we look forward to speaking with
you over the coming months. Good evening.

Moderator Thank you. Ladies and gentlemen that does conclude our conference for
today. Thank you for your participation and for using AT&T Executive
TeleConference. You may now disconnect.