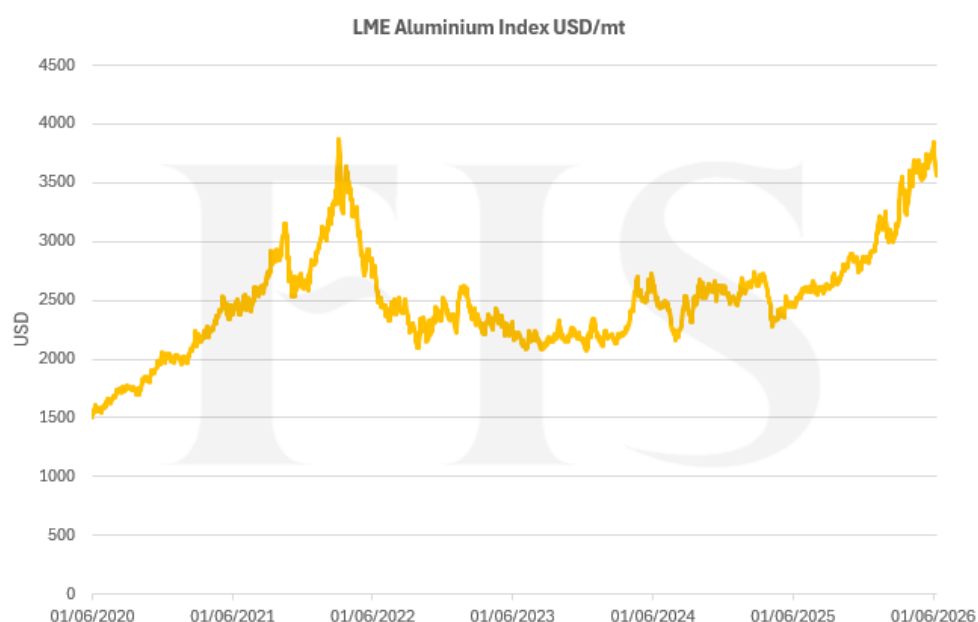


Availability in Aluminium Supply



Source: LME Aluminium, BBG

Aluminium prices climbed to four-year highs at the beginning of this month (June 2026) as concerns over global supply availability intensify. Recent disruptions in the Middle East have sharpened market focus on the risk of shortages, with some participants discussing the potential for LME aluminium to move beyond USD 4,000 per tonne. Since Monday's (15/06/26) ceasefire agreement Aluminium prices fell rapidly, with the market now observing if this will hold.

Current concerns centre on the region after Qatalum began shutting down production and Aluminium Bahrain declared force majeure on shipments. While these events have drawn immediate attention, they come against a backdrop of longer-term structural constraints that continue to limit the industry's ability to increase supply.

Middle East Disruptions Increase Market Focus

The Middle East remains one of the most important regions in the global aluminium market, producing around 6.5 million tonnes annually and accounting for approximately 8% of global primary output. The region supplies around 19% of European primary aluminium imports, 28% of Japanese imports, and 21% of US imports, making any disruption disproportionately important for global trade flows.

Growing geopolitical uncertainty is already reshaping supply chains. China, normally a net exporter of alumina, has become a net importer this year, as concerns over Middle Eastern supply redirected cargoes into the country. Net imports reached a two-year high of around 90,000 tonnes, while WA FOB alumina prices fell to their lowest level since 2021 at approximately USD 298 per tonne.

The shift has also reduced the volume of material available to traditional importers such as Japan, increasing competition for available supply.

Shipping costs are adding further pressure. Hapag-Lloyd introduced a USD 1,500 per TEU war-risk surcharge in March 2026, equivalent to approximately USD 68 per tonne of aluminium. Freight rates from the Gulf to Rotterdam have risen to around USD 100-130 per tonne, compared with a pre-disruption norm of USD 40-50 per tonne.



Source: Damage caused by Iranian Strike on Alba Aluminium Plant in Bahrain

China's Production Ceiling Limits Supply Growth

China remains central to the global supply picture. Bauxite is the critical feedstock for aluminium production, with Guinea supplying between 50% and 60% of Chinese imports. Guinea's proposed 150 million tonne export cap therefore represents a significant risk to future raw material availability.

While alumina costs remain supportive for producers, with WA FOB alumina trading around USD 298 per tonne and SHFE alumina near 2,657 yuan per tonne, the market could tighten later in the year if restrictions on Guinean exports begin to affect supply chains.

Even if margins remain strong, Chinese aluminium production is constrained by the country's long-standing production ceiling of approximately 45.5 million tonnes per year. As a result, lower costs do not automatically translate into higher output.

Chinese exports also remain limited. A 15% export tax and a SHFE-LME spread of roughly USD -970 per tonne, as of 3rd June, continue to keep material within the domestic market. Industry estimates suggest that Chinese exports only become economically viable when all-in Western delivered prices exceed approximately USD 4,400 to USD 4,500 per tonne, significantly above current market levels.



Source: Aluminium Warehouse, AL Circle

Power Remains an Industry Constraint

Unlike some other industrial metals, aluminium production is highly dependent on access to cheap and reliable electricity. Smelters consume between 13 and 15 MWh of power per tonne of metal produced, with electricity accounting for 30% to 50% of operating costs. In most regions, long-term power prices need to remain below approximately USD 40/MWh for production to be consistently competitive.

This has created a global supply landscape where the lowest-cost producers are not necessarily the lowest-risk producers. The Gulf region remains the most competitive producer thanks to subsidised natural gas, but it also represents one of the largest concentration risks in the market. The region supplies approximately 9% of global primary

aluminium output and there is no comparable source of low-cost tonnes capable of quickly replacing any major disruption.

Europe, meanwhile, has spent much of the last decade contending with elevated and volatile power costs. Significant smelting capacity has been idled, and many facilities cannot simply restart in response to higher prices. The loss of this flexibility has reduced the market's ability to respond to supply shocks.

Canada has emerged as one of the strongest positions globally. Hydroelectric power in Quebec keeps production costs within the viability range, with electricity prices estimated between USD 27 and USD 41/MWh. The country now supplies around two-thirds of US aluminium imports and is also well positioned to benefit from the growing value attached to low-carbon metal under Europe's Carbon Border Adjustment Mechanism (CBAM).

The United States continues to face a different challenge. Despite record Midwest premiums, many domestic smelters remain uncompetitive due to power costs of USD 65 to USD 82/MWh. Tariffs may increase the price producers receive for metal, but they do not reduce the electricity costs that originally forced capacity offline.

China has increasingly shifted aluminium production towards the hydro-powered province of Yunnan. While this has lowered costs, it has introduced a new dependency on seasonal rainfall patterns. Power accounts for roughly 35% of Chinese smelter costs, meaning weaker-than-expected monsoon conditions can quickly tighten domestic supply and support Shanghai Futures Exchange (SHFE) prices.

Demand Growth Continues to Accelerate

At the same time, demand growth continues to outpace expectations. Wood Mackenzie forecasts a global aluminium deficit of around 200,000 tonnes this year, potentially widening to 800,000 tonnes by 2028. This compares to their expectations of only a 50,000-tonne shortage at the end of 2025.

Demand from electric vehicles, renewable energy infrastructure and AI-driven data centre construction continues to expand, adding further pressure to a market already facing supply-side constraints.

Regional Price Risks Are Becoming More Important

As aluminium supply becomes increasingly constrained, regional pricing differences are becoming more pronounced. Supply disruptions, trade restrictions, energy costs and logistical bottlenecks affect individual markets in different ways, creating significant variations in the cost of physical metal around the world.

These regional price differentials, known as premiums, are becoming increasingly important for physical market participants who now may feel underhedged without them.

In the next article, we examine what aluminium premiums are, why they exist and why understanding them is becoming increasingly important for anyone exposed to the physical aluminium market.

Sources

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