

Written evidence submitted by anonymous (LS0010)

Dear BEIS Committee,

Liberty Steel and the Future of the UK Steel Industry Inquiry

GFG Alliance's 2016 supply-chain finance enabled acquisition of Alcan Aluminium UK Ltd

Firstly, I would like to commend the committee on the diligence it has shown. I believe that the Committee is unearthing some extremely serious issues.

I am writing as the author of submission LS0001, which examined the £330 million supply-chain finance enabled acquisition of Alcan Aluminium UK Ltd - with GFG Alliance (as acquirer), Greensill Capital (UK) Ltd (as enabler) and Scottish Ministers (as financial guarantors). This further submission proposes a hypothesis based on the information contained in LS0001.

The hypothesis is that instead of the value of the guaranteed 25-year Power-Purchase Agreement (PPA) determining the amount of capital raised by the GFG Alliance as normally would be expected, the converse is more likely to be true. That is, the desired level of capital the GFG Alliance required was used to determine the value of the 25-year Power-Purchase Agreement – and thus in order to maximise the amount of capital raised, the PPA has been inflated.

I believe that this hypothesis would help explain why a Profit-Participation Deed has been required to transfer profits back from the hydro plant (SLH2 Ltd) to the smelter (LAL Ltd). An inflated PPA would have made the smelter commercially unviable without the transfer-back of profits under the Profit-Participation Deed. Companies normally distribute profits to shareholders in the form of dividends - not to their customers, as in this case.

My hypothesis would also help explain the dramatic and extraordinary increase in value of the hydroelectric station(s) on the day of acquisition by the GFG Alliance. Reading-between-the-lines, Grant Thornton appear to acknowledge in their letter to the committee, dated 28 June 2021, that the guaranteed PPA has been used in the revaluation of the hydro plants.

If the value of the Power-Purchase Agreement has been artificially inflated then there is an increased and potentially fraudulent exposure of public funds with the financial guarantee being in excess of that needed under an arms-length commercial agreement.

Yours sincerely

REDACTED

July 2021