CENTURY ALUMINUM COMPANY: 3rd Quarter 2023 Earnings Call

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SPEAKERS

Jesse Gary, President, Chief Executive Officer & Director
Gerald Bialek, Executive Vice President and Chief Financial Officer
Ryan Crawford, Investor Relations & Financial Planning and Analysis Manager

ANALYSTS

John Tumazos, Analyst
Katja Jancic, Analyst
Lucas Pipes, Analyst
Timna Tanners, Analyst

PRESENTATION

Operator

Good afternoon. Thank you for attending today's Century Aluminum Company Third Quarter 2023 Earnings Conference Call. All lines will be muted during the presentation portion of the call with an opportunity for questions and answers at the end. (Operator Instructions).

I would now like to pass the conference over to your host, Ryan Crawford.

Ryan Crawford

Thank you, operator. Good afternoon, everyone, and welcome to the conference call. I'm joined here today by Jesse Gary, Century's President and Chief Executive Officer; Jerry Bialek, Executive Vice President and Chief Financial Officer; and Peter Trpkovski, Senior Vice President of Finance and Treasurer.

After our prepared comments, we will take your questions. 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.

Turning to Slide 1, please take a moment to review the cautionary statements shown here with respect to forward-looking statements and non-GAAP financial measures contained in today's discussion.

And with that, I'll hand the call to Jesse.

Jesse Gary

Thanks Ryan and thanks to everyone for joining.

It was a busy quarter with lots to discuss, so I'll get right into it. Turning to slide 3, lower LME and regional premiums were the primary drivers of reduced Q3 Adjusted EBITDA of $9MM. While we were able to offset a significant portion of the fall in metal prices with lower input prices, higher than expected Mt. Holly power costs resulted in our Q3 results falling a bit below expectations. We expect Mt. Holly energy prices to return to normal in Q4 and, as we recently announced, we entered into a new power contract for Mt. Holly that will become effective on January 1st. I'll provide some additional detail on that new contract in a bit.

In general, the macro environment for aluminum remains complex. As you can see on P. 4, the global market remains roughly balanced, with Chinese deficits largely offsetting a small surplus in the rest of the world. Turning to China specifically, Chinese demand has benefited from strong solar and electric vehicle demand, with Chinese solar demand alone up around 1.5MM tonnes from last year. Recent stimulus announcements in China should drive further recovery in building and construction demand as the Chinese economy continues to recover from COVID lockdowns.

Reports have also recently emerged that Chinese smelters in Yunnan will again have to curtail around 1MM tonnes of capacity due to low reservoir levels in their hydroelectric schemes. Once confirmed, this third straight season of Chinese production cuts would add to the Chinese deficit shown on slide 4.

Overall, while realized LME prices fell to average $2,155 in Q3, global days of inventory remain below 50 days. With inventories at these historically low levels, LME should be poised to recover quickly on any positive demand recovery or any further supply side disruption, as we saw following the announcement of the Yunnan seasonal curtailments. While we wait for the macro cycle to improve, we have implemented programs across the company to lower costs, increase efficiency and free up cash where possible. One example of this is a renewed focus on working capital management that Jerry will discuss with you in a minute. These efforts will help us remain robust during this portion of the cycle, without interrupting our long-term investments and strategies.

Turning to slide 6, we can see that falling input prices have also helped to offset the decline in metal prices. Indy Hub and Nordpool have both remained constructive, while coke and caustic prices have continued to fall towards normalized levels. Natural gas inventories in both the US and Europe remain well above 5-year averages, making a repeat of the high energy prices from last winter less likely.

Turning to operations, we made significant progress on a number of our longer-term initiatives during the quarter. At Mt. Holly, we were very excited to announce late last month that we reached a new three-year power contract with Santee Cooper through 2026. The

agreement represents extensive work between the Century and Santee teams to structure a mutually beneficial arrangement.
This agreement allows us to continue to invest in operations at this excellent plant, preserve the approximately 470 jobs for our employees, and continue to contribute to the economic success of the surrounding community.

Under the new arrangement, Mt. Holly will be less exposed to changing fuel costs, including a fixed all-in 2024 energy rate that is below our 2023 realized rates. Mt. Holly also has the right under the agreement to increase the amount of energy provided under the contract should we decide to return the smelter to full production when market conditions warrant.

In Iceland, operational performance was strong, continuing to reflect the excellent team we have built there. The Grundartangi casthouse project is nearing completion and remains on track to deliver our first sales of low carbon Natur-Al billet to European customers early next year. We will provide you with additional details of the expected benefits of this value-added production on our Q4 call.

In Jamaica, the first major project in our Project Restore capex program is nearing completion, with the recommissioning of one of the plant's high efficiency boilers set to be completed by the end of Q4. This boiler will increase the efficiency of the refinery's steam generation systems, while also driving improved stability in the plant's powerhouse. A second high efficiency boiler is expected to be recommissioned in late March. These projects should begin lowering Jamalco's cost of production beginning in Q1. To date, the cost of these programs are coming in on the low end of our expected capex spending at Jamalco for 2023.

In September, Jamalco suffered a power disruption resulting from an equipment failure in the same power generation unit responsible for the disruption in Q2. This caused the refinery to operate at partial production levels for a portion of September and all of October. We believe the refinery has now returned to full and stable operations. Without these disruptions, Jamalco would have operated at roughly breakeven in the 3rd quarter at spot alumina prices.

Given the magnitude of these disruptions, we have submitted these claims to our insurers and expect to recover those losses under our insurance policies. In line with our past practice, we will adjust out both the impact of the outage and the future recovery of insurance proceeds from our results. Jerry will cover this more in his remarks.

Gerald "Jerry" Bialek

Thank you, Jesse.

Let's turn to slide 7 and I'll walk you through the results for the third quarter. Consolidated Q3 global shipments were 172 thousand tonnes down about 1 percent sequentially. Realized metal prices were down nearly 6 percent for the quarter, with net sales at $545 million, down 5 percent sequentially.

Looking at Q3 operating results, adjusted net loss was $14 million, or $0.13 per share. This was a decrease of $29 million compared with prior quarter. The major adjusting items for the third quarter were add backs of $22 million in unrealized losses on forward contracts, $9 million in costs associated with the Jamalco equipment failure and $1 million for share based compensation, partially offset by a $4 million deduction for lower of cost or net realizable value on inventory.

Adjusted EBITDA attributable to Century, which includes our 55% share of the Jamalco JV in Jamaica, was $9 million, a decrease of $20 million from the prior quarter.

Liquidity improved by $75 million compared with prior quarter to $306 million, consisting of $70 million in cash, $23M in restricted cash and $212 million available on our credit facilities. Net debt on September 30 was $424 million, down $83 million from prior quarter. During my first year at Century, we've focused on optimizing working capital and improving liquidity and are beginning to see significant progress. I'll talk more about this in a moment when I address cash flow.

Turning to slide 8 to explain the third quarter sequential adjusted EBITDA bridge. Realized LME was $2,237 per tonne, down $134 versus the prior quarter, while realized US Midwest Premium of $493 per tonne was down $69 and realized European Delivery Premium of $323 per tonne was up $24, these reflecting our one-to-three-month lags in realized metal prices. Together these factors resulted in a $28 million decrease in EBITDA in the quarter.

Power costs were down slightly from prior quarter, with a 51 percent reduction in Nord Pool market prices being partially offset by a 4 percent increase in MISO Indy Hub exposure and higher cost-of-service rates at Mt. Holly, netting to a $3 million benefit to EBITDA.

Q3 realized alumina cost was $396 per tonne, $4 lower on a sequential basis. Remember there is a 3–4-month lag for alumina costs to work through our income statement. Realized coke prices decreased 17 percent and realized pitch prices decreased 8 percent. Together, alumina and other raw material costs resulted in a $4 million improvement in EBITDA.

Volume/OpEx improved EBITDA by $3 million. Unfavorable sales mix was a $3 million headwind.

Overall, adjusted EBITDA was $9 million for the third quarter.
Note the impact of downtime and lost production output at Jamalco that Jesse mentioned in his opening remarks has been adjusted from the results presented here as Century has filed an insurance claim and expects that losses, less estimated deductibles, will be covered under its insurance policies. You can see the full reconciliation to GAAP in the appendix on slide 13.

Now let's turn to slide 9 for a look at cash flow. We started the quarter with $51 million in cash. During the quarter, we completed the transaction, to sell certain excess land at our Mt. Holly site, generating cash of $26 million. Capex primarily for the construction of our new casthouse in Iceland used $26 million. As part of our working capital optimization efforts, we monetized excess European Emissions Allowances to generate an additional $34 million. In case you are not familiar with the European Union Emissions Trading System, the ETS is a cap-and-trade system aimed at decreasing emissions over time in line with the EU's climate target. Each year Century receives free emissions allowances or EUAs, for our Grundartangi smelter in Iceland. These allowances must be surrendered in the following year to offset emissions from the smelter. Historically, we have held these units until they become due. As an ongoing source of liquidity, this year we implemented an EUA monetization program to sell the excess units and to repurchase EUAs at a future fixed price to settle the EUA obligation when due. Similar to other working capital optimization efforts, this program allows Century to utilize the interim value of the credits more effectively, improving liquidity and lowering leverage.

I'm also excited about the progress we are making driving optimization in the cash conversion cycle across all our sites. During the quarter we realized working capital savings totaling $76 million, with $7 million coming from moving to more favorable vendor payment terms at our Jamalco refinery, and the balance from various actions at our smelters. We expect to retain $20 - $30 million of these working capital benefits going forward through aggressive inventory targets and other working capital optimizations. The remainder of these savings were related to the timing of material flows which we expect to reverse in Q4.

Finally, we used $68 million to pay down our revolvers. These actions resulted in Q3 ending cash and restricted cash of $93 million, a $42 million improvement compared to the second quarter.

Now, let's move to slide 10 for insight into our expectations for the fourth quarter. For Q4, the lagged LME of $2,161 per tonne is expected to be down $76 versus Q3 realized prices. The Q3 lagged US Midwest Premium is forecast to be $425 per tonne, down $68 per tonne, and the European delivery premium is expected to be $279 per tonne, or down about $44 per tonne compared with the third quarter. Taken together, the LME and delivery premiums are expected to decrease Q4 EBITDA by approximately $20 - $25 million compared with Q3 levels. Note, LME prices closed yesterday about $100 higher than our expected realized prices for Q4. As you can see from our sensitivities on slide 16, should these spot levels hold, we would expect this change alone to increase EBITDA by around $10-15 million per quarter.

Looking at our other key raw materials, lagged realized Alumina cost is expected to be $385 per tonne, down slightly. We expect a favorable impact from lower coke and pitch. Caustic soda prices are also down slightly, but as it takes 5-6 months for caustic spot prices to flow through our P&L, most of this benefit will be realized in Q1 2024. All in, we expect lower raw material costs to contribute between $10 - $15

million to EBITDA compared with the third quarter.

We expect volume gains and operating cost improvements to add about $5 million to EBITDA in the fourth quarter.

All factors considered, our Q4 outlook for adjusted EBITDA is expected to be in a range of between a $0 - $10 million.

And finally, we expect a realized gain of about $10 million in the fourth quarter from hedging activity and tax expense of between $0 - $5 million. As a reminder, both of these items fall below EBITDA and impact Adjusted Net Income.

An update on the purchase accounting for our Jamalco acquisition. As discussed in Note 2 of our current quarter 10-Q, we continue to work through the purchase accounting which requires the acquired assets and liabilities to be reported at fair value as of the acquisition date. We have up to 12 months from the acquisition date to perform the necessary work to finalize the fair value, and based on our preliminary fair value estimates, we've reported a deferred gain as a current liability on the balance sheet as of September 30th.

And now, back over to you Jesse.

Jesse Gary

Thanks Jerry. While we find ourselves in a challenging portion of the commodity cycle with LME and delivery premiums reaching 2.5 year lows in the 3rd quarter, we remain focused on operating the business as efficiently as possible. We are proud of the progress we made on our long-term initiatives during the quarter, including the extension of the MH power contract, nearing completion of our first major capital investment at Jamalco and completion of the Grundartangi casthouse early next year.

We are also pleased with the continued optimization of our balance sheet, including completion of the MH land sale and progressing working capital optimization program, leaving us well positioned with significant liquidity to continue our long-term investments during this portion of the cycle.

All in all, despite a challenging macro environment, we are managing the business to continue to provide positive EBITDA and unlock additional liquidity and cash. Long-term macro trends toward decarbonization and electrification are beginning to play out and grow stronger as government stimulus funds in China and Inflation Reduction Act funds in the US are beginning to be distributed. Our plants are running well and at planned production levels, leaving us well positioned to benefit as the commodity cycle improves.

We look forward to your questions. Operator?

Questions and Answers

Operator

We will now begin the Q&A session. (Operator Instructions) Our first question is from Lucas Pipes with B. Riley Securities. You line is now open.

Lucas Pipes

Thank you very much, operator. Good afternoon, everyone. In your final comments there in your prepared remarks, you mentioned I think you mentioned the IRA and benefits for demand, but then, if I understand it correctly, there are also provisions in the IRA specifically for primary aluminum production, I think it's Section 45X and it relates to credit of 10% of the production cost. And obviously, on the surface, it appears pretty material, so I wondered if you could maybe speak to that and where that currently stands. Thank you very much for your perspective on that.

Jesse Gary

Hey, Lucas, thanks. Very good question. So, you're correct that primary aluminum is listed as a critical mineral under Section 45X for the Inflation Reduction Act. Maybe just to backup, Section 45X is a provision that amongst other things is intended to incentivize US production of critical minerals here domestically. We're obviously very excited about the potential benefits that we might receive under Section 45X, but the US Treasury Department has not yet issued guidance for the provision. Given that it's a bit difficult at this point to quantify what the potential benefits might be for Century, but the Treasury Department has come out publicly and said that they expect to issue that guidance before the end of the year. So, what we intend to do is once that guidance has been released, we plan to hold a follow-up call to further discuss and quantify what those benefits might be to Century. And until we have the guidance, it's hard to provide too much more information for now.

Lucas Pipes

And, but at this point, there haven't been any, I guess it would be an accrual -essentially -- given I think this credit would start in January 1, 2023, there would be a benefit for this year, right?

Jesse Gary

Yeah, well, while we await the guidance, the provision did become effective, you know, obviously, the law has passed, but -- and the provision did become effective January 1, 2023. But until we have that guidance, it's tough to really say more than that, but you are correct that the law itself does mention that it would apply beginning or January 1, 2023.

Lucas Pipes

Really appreciate that. And in terms of the guidance or clarification needed, can you elaborate on what exactly you're waiting for, and I know this can be technical, but could you maybe comment on what guidance specifically you're waiting for? Thank you.

Jesse Gary

Sure. I'll try to keep it relatively high level, since until we have the guidance, it's really hard to comment on what will be in the guidance. But that said, your summary was well done, and Section 45X does provide for production tax credit for critical minerals, and that production tax credit applies to what the law calls cost of production. And what the law does not do is provide any guidance as to how that cost of production should be calculated. And so, you can imagine a bunch of different provisions that may be included or not included in cost of production. For instance, one example might be whether depreciation is included in cost of production. And so, without further guidance from the Treasury Department after talking with, you know, our advisors -- outside advisors and discussing internally with our team, we thought it was too early to record anything on our financial statements and difficult to do again without any guidance on what the quantum of those benefits might be. So for now, that's where we stand, and what we intend to do is once that guidance comes out, which again the Treasury Department says they expect to do before the end of the year, we'd hold a follow-up call where we can discuss that in more detail.

Lucas Pipes

I really appreciate this discussion. I have further questions, but for now, I'll move on to different theme. I really appreciate that color. Thank you. When I look to kind of value-add products and the billet premium for 2024, have those negotiations started, have they been completed? And could you comment on what you would expect in terms of that billet premium in the current environment for 2024? Thank you very much.

Jesse Gary

Sure, Lucas. Thanks. Another good question. So, both for the US and of course as we've discussed our new Grundartangi casthouse will also come online and begin producing billet early next year. We've really just started to discuss 2024 sales. The season has started a bit later this year than maybe it has in past years, which I think reflects probably a bit of the general market dynamic that we see. As I mentioned, you know, there have obviously been a bunch of macro drivers that have resulted in, you know, both LME and regional delivery premiums reaching sort of 2.5-year lows. But, of course, until we really get very far in those discussions, it's hard to predict what 2024 premiums might be, but we will definitely include those on our Q4 call when we give you the rest of our 2024 guidance and I would definitely expect -- definitely for the U.S., we would have those premiums set. Going forward for Europe, that market is more of a quarterly market, so you'll see us start to reflect billet premiums in Europe more on a quarterly basis because it can change from quarter-to-quarter, whereas the U.S. is more of an annual market.

Lucas Pipes

Got it. That's helpful. Really quickly on Mt. Holly, good to see that contract come through. If I recall correctly, Mt. Holly is running at 75% utilization. Have there been discussions about increasing this cost of service power allocation to Mt. Holly so that the plant can run at 100%?

Jesse Gary

Yes, and actually that's something that we negotiated as part of this contract is that we do have the right to call the additional power that would be necessary in order to restart the remaining 25% of the Mt. Holly pots. And so, as we monitor the market conditions, we have that option on --, you know, within a notice period that would work with a restart to call that power, so securing the power won't be a roadblock to restarting those pots in Mt. Holly.

Lucas Pipes

And the power, would it be at the same cost of service rate or would there be a different tariff of sorts?

Jesse Gary

Yeah, the option within the contract is linked to -- there's actually a few different tariff schedules that we will take power on from Santee Cooper under that contract, but the option is linked to one of those rates. That's in the rest of the Mt. Holly Power Contract package.

Lucas Pipes

All right. I really appreciate all the color, and to you and the team, best of luck.

Jesse Gary

Thanks, Lucas.

Operator

Our next question is from Timna Tanners with Wolfe Research. Your line is now open.

Timna Tanners

Yeah, hey, good afternoon. I hope everyone can hear me okay.

Jesse Gary

You sound great, Timna, thanks.

Timna Tanners

Okay, super thanks, just had a check. All right. So, I had a couple of questions. I thought I would hone in on the situation in Jamalco. I thought it was interesting, it was material enough to file for insurance recovery, but then I might have missed a press release or an announcement about it and wanted to know a little bit more about the incident, you said it was the second time this has happened, so do you feel like you've sufficiently addressed the situation so that won't recur?

Jesse Gary

Yes, so, great question. Maybe I can provide a little more detail and just why we feel confident that we've now got it under control. So, within a refinery, in general, you'll have some steam generation -- steam-powered electrical generation units that supply energy to the plant and also regulate the steam pressure going into the refinery. And in this case, one of our steam generation units suffered a failure originally back in the May-June time period, and then we thought, we had it addressed, but it recurred in the late September time period and we dug a little further, we brought in engineers from the manufacturer who went through that machine with us and have now helped us bring it back to its normal operating status. So given those steps again with the engineers from the manufacturer as well, we feel confident that that issue is now behind us.

Timna Tanners

Thank you. And then, when do you think you might be able to record a recovery from your insurance company and what timing and also what might the deductible look like?

Jesse Gary

Sure. We won't give specific guidance on the deductible, although it's just a small portion -- relatively small portion of the overall claim and so should not be material from a cash matching standpoint to the losses that we incurred. But that claim, we've just made it, so we really need to engage with the insurer to talk about timing for payment. You might look back to our 2018 claim for Sebree when we had an outage that stopped some power deliveries to the plant resulted in some production being lost. That recovery, I think took about a year to actually get the cash in the door. So that might give you some guidance as to what it may be here, although it's hard to say at this point.

Timna Tanners

Okay, that’s helpful. And then, I know there was I mention, when we were going through the guidance that if the price stayed at the recent levels there be an additional EBITDA, I just want to make sure I understood those comments correctly. Is that just to stay to say that, you know, I think I have to go back to my notes that it was an extra $15 million to $20 million of EBITDA or – and I assume that was to say that if today’s LME price were sustained through the rest of the quarter, but I just wanted to clarify what was intended by their comments.

Jesse Gary

Yeah, you got it almost exactly correct, Timna. Basically, we're just saying the cash prices today are about $100 higher than what our realized Q3 LME prices were. And so if that were to sort of sustain going forward, if you go back to our sensitivities in our deck, you'll see, it should have about a $10 million to $15 million quarterly impact on EBITDA going forward. So in other words, what we're hopeful of is, we have started to see some green shoots on both the demand and the supply side globally, and some of the things I talked about, you know, we've seen really strong renewable demand in China, strong EV demand in China, both of which are things that should extrapolate to the rest of the world as the macro picture situation rebounds. And then, we've also seen on the supply side, you know, additional outages in China, so all of those are what drove that LME prices start to improve, and so obviously, we're hopeful that those trends continue, and if they do, there's a lot of earnings power in this business as we've shown in previous quarters.

Timna Tanners

Okay. And then just wrapping up if I could on the raw material side, just looking at the guidance, I know caustic is yet to fully flow through in your numbers, but do you see a lot further downside the coke and pitch and then remind us if you could on Jamalco what Alumina price is breakeven for you?

Jesse Gary

Sure. So, yeah, on the coke and pitch side, it's -- given the course of the past couple of years, it's hard to really set what your expectations are, because we've been stuck for almost two years now with coke and pitch prices that are just materially higher than what we ever saw in any previous period. So, as they've come down, I mean coke prices are down almost 50% from where their height was, but they're still well above where historical levels are. So, you know, obviously, a lot of this will have to do with the oil markets and energy markets globally -- and steel markets frankly, but we continue to see them coming back down towards normalized level. There is really no reason why they shouldn't. And so, we'd expect that to continue over coming quarters, although we just wish it would happen faster than it has.

Caustic, as I said, lags about six months. It takes longer to come through, but caustic prices have really come off substantially and you really haven't started to see the benefit of that really flow through our results because that downturn happened more recently. So, we'll start to see that more significantly starting in Q1. And then, on the refinery side, we're not giving cash breakevens for any of the assets, but what I did say in my prepared remarks was -- absent the power disruptions that we had at Jamalco in the quarter, it would have been about breakeven for the quarter, so that could be some sense.

Timna Tanners

Got it. Okay, I'll leave it there. Thanks very much for the color.

Jesse Gary

Thanks, Timna. And then maybe just add on for Jamalco, obviously, we've got a lot of CapEx programs ongoing there and so we would expect that to continue to improve over the course of 2024, but that's where we stand today.

Timna Tanners

All right. Thank you.

Jesse Gary

Thanks, Timna.

Operator

Our next question is from John Tumazos with John Tumazos Very Independent Research. Your line is now open.

John Tumazos

Thank you. Could you shed some light on the big dip in European power prices or the Nord Pool price? Is it more due to weaker demand, slowing European economy as opposed to any increase in electricity supply?

Jesse Gary

Yeah, so -- it's very good question, John, and thanks. When you're looking at European power prices, probably the easiest common factor to look at is natural gas prices. And in Europe, obviously, that's referencing TTF. So if you take a look at TTF over time, it obviously hit very, very historically high levels, multiples of where it had been over history in the energy crisis that really hit late last fall, early winter. And the situation is definitely improved from that. So European natural gas storage is near capacity today, and, you know, LNG availability is relatively strong and so you see TTF come back down significantly from the record levels of last year. That said, it's still multiples above where it stood historically, and obviously, multiples above say where Henry Hub is here in the United States and more than 10x. So when you look at it from that standpoint, maybe 10x isn't the right multiple, but it is multiples above where Henry Hub is today. So, when you look at it from that standpoint, you know, European energy prices are going to stay high while that dynamic remains, and while it's thankfully gotten better, I think there are still challenges and you can then see that in industrial demand where we've seen, you know, relatively subdued European economy.

John Tumazos

In your demand-supply balance, you had almost 1 million tonnes of excess demand in China and 1.5 million tonnes of demand less in world ex-China, is that demand decline mostly in

Europe or is it more broadly spread out U.S., Europe developing world?

Jesse Gary

Yeah, I think you got it about right, John. It's definitely most significantly in Europe, which I would say really of all regions globally has been the most challenged over this period and much better in the U.S. to be honest, although obviously not at levels that we would like to see it that we think it could return to. And so, both markets frankly are eager to see the cycle go ahead and turn it over because both markets remained very short on the aluminum side and frankly gotten much shorter given the economic situation over the last several years. So, as I said, we're starting to see some green shoots obviously, and at the end of the UAW strike here in the U.S. should help automotive demand going forward, and sort of an interesting one to predict, but obviously people saw those UAW strikes coming, so we started to see a little bit of demand impact going even before the strike started, but now there's certainty there, we think that should help to pickup. Aerospace demand has also been very strong here in the U.S., which is a real nice tailwind for us. And then, as interest rates come down, we should see some recovery and building construction as well.

John Tumazos

Thank you. If I could ask one more, and I apologize, sometimes I try to ignore Washington because the government is so disgusting, could you explain these strategic tax credits a little more, maybe again because I hadn't been studying them? With the benefit to Century on a full-year basis when they're codified, would it be closer to $1 million or $10 million or $100 million or more, just give us a crude range order of magnitude?

Jesse Gary

Yeah, thanks, John. As I've said before, until we have those regulations come out, it's very difficult to quantify exactly what will be included in cost of production, but you can go back to the law itself and see what it lays out as a tax credit -- production tax credit, equal to 10% of cost of production of these critical minerals, and so you can take a look at that. But until we have the regulations, we're not going to estimate what that credit could be.

John Tumazos

So that could be 10% could be $0.15 a pound for your U.S. output. I don't mean to put words in your mouth, Jesse. I'm sorry.

Jesse Gary

No problem. Thanks for the question, John.

Operator

Our next question is from Katja Jancic with BMO. Your line is now open.

Katja Jancic

Hi, thank you for taking my questions. Maybe starting with the Jamalco, can you provide any preliminary views on how we should think about CapEx for next year?

Jesse Gary

Well, in line with our normal cadence, Katja. I think we'll wait to give any 2024 guidance until our Q4 call. And so, we'll come back to you with that in February.

Katja Jancic

Okay. And what would be -- can you just say what the maintenance CapEx typically will be?

Jesse Gary

Sorry, could you repeat that?

Katja Jancic

If you could maybe provide what the maintenance CapEx for Jamalco would be, the typical maintenance?

Jesse Gary

Yeah, again, we'll go ahead and give those numbers on our Q4 call. What we did talk about last time was that we expected, basically, second half 2023 CapEx for the refinery to be in the $10 million to $20 million range. What I said in my prepared remarks, we expect to be coming in on the low end of that range for the rest of the year. That includes both the maintenance CapEx and some investment CapEx, including the restoration of the high-efficiency boiler that I mentioned. So, if you're just looking for some general provisions that gives you a sense, although, again, we will wait to guide for 2024 until that Q4 call.

Katja Jancic

Okay. And maybe I missed this on the European credits, is there further credits you can monetize or how should we think about that?

Gerald “Jerry” Bialek

Okay. What we did is, we monetized the excess credits that we had that had been allocated to us for free with the agreement to repurchase them before they are due in 2024. So, we monetize what are available to us for that purpose.

Jesse Gary

I think that the best way to sort of think about that going forward is to relate it to our overall working capital optimization programs. So, we will continue to have those ETS credits granted on an annual basis as part of the regulatory scheme. And so what our intention would be is to continue to optimize that working capital, namely the EUA credits continuously over time as an additional source of liquidity.

Katja Jancic

Okay. And maybe just one more if I may. On Mt. Holly, if you did decide to increase operations to full capacity, what would the CapEx required be and how long would it take you to do that?

Jesse Gary

Thanks, Katja. That's a very good question. In terms of the timing, obviously, just a couple of years ago now, we went through a restart of the continuously operating line and an additional 25% of those pots, and that took somewhere from 12 months to 18 months to do that. So that will give you a sense of the timeframe if we were to restart the remaining pots at Mt. Holly as well. From the cost side, we're undertaking that work now. Obviously, it's a bit hard to predict, you know, based on past experience given the cost environment that we found ourselves in over the past couple of years. So, we're actually undertaking that work, working through what the cost would be, and I think we should be in a better position to give you some better figures in Q4 or Q1.

Katja Jancic

Okay. Thank you.

Operator

Our next question is from Lucas Pipes with B. Riley Securities. Your line is open.

Lucas Pipes

Thank you very much, operator. Thank you for taking my follow-up question. My goal -- one of my goals for this evening is to get continuing education credits on US tax law and really appreciate you taking all these questions. I have one more. It is a credit, right, so it's not a deduction of US Federal income tax. It's a credit, so whatever the amount is this is a cash reduction of your operating costs, correct?

Jesse Gary

Lucas, I think you know I used to be a lawyer, I wasn't a tax lawyer, so plenty of

disclaimers around that and I can't give any continuing credit directly. That said, as you might imagine, I have read the law and again until we have that guidance, you know, this is all very preliminary and we can't say for sure, but what the law does provide is that for the first five years that credit would be realized. That credit would be a direct pay, and so the cash credit or you can elect to have it be a cash credit, if you're not otherwise a US taxpayer or you don't otherwise have US tax -- enough US taxable income during the period. After the first five years that direct pay provision does phase out and the tax credits become tradable.

Lucas Pipes

Very helpful, very helpful. I'll take those credits over continuing education. I really appreciate that. Thank you.

Jesse Gary

All right. Thanks, Lucas.

Operator

Our next question is from Timna Tanners. Your line is open.

Timna Tanners

Hey, thanks for taking two quick follow-ups. And one was that my team and I were kind of confused, actually we weren't 100% clear on how to think about the impact from Jamalco being closed. It sounds like most of October, so if part of September was $16.9 million equipment failure, is it going to be an increased amount into the fourth quarter and then assuming that's not going to be in your adjusted EBITDA, but just for our own calculations?

Jesse Gary

Thanks, Timna. Good question. It is in the guide what we expect for the Q4 impact to be so it's included in that, in that guide.

Timna Tanners

But, you excluded the Jamalco equipment failure from third quarter EBITDA guidance, so we didn't think that you would include it for the fourth quarter.

Jesse Gary

Yeah, it is excluded, but the impact sort of calculated as we run through those results, but it is adjusted out. That's correct. As you might imagine, I mean we haven't closed the books for October yet even so it's a bit difficult to say exactly what that will be,

but we do expect that at that point, you will have fully worked through any deductibles frankly well before that. So, all of that should be recoverable dollars, which is why we decided to adjust it out. Did that make sense?

Timna Tanners

Okay. But you are going to --- but for the fourth quarter, you'll include it and not exclude it, is that what you're saying?

Jesse Gary

Sorry, no, no. We will adjust it out. What I'm -- I guess what I'm saying is dollar for dollar, it should be included under the insurance policies because the deductibles will already have been there well before that.

Timna Tanners

Okay. But the fourth quarter relative to the third quarter, would you expect it larger similar, smaller just not clear on that dynamic given it's out for a longer period of time in October or do you not know, I'm sorry if I'm not clear.

Jesse Gary

I'm sorry, I understand your question now. It's a bit hard to relate it back to the previous period because the Q3 number had some impact from the June outage running through it. So, it's a bit hard to sort of compare. There's a few different things going on there. So, I think it's probably easier just to wait until the Q4 call, we'll give you the exact detail of what it turned out to be. But again, it should be fully covered under the insurance policy.

Timna Tanners

Got it. Okay. One last thing if I could, so the discussion of moving Mt. Holly to full capacity makes me wonder if Ravenswood is becoming less likely to return. I just wanted to ask about any updated thoughts there and the longer that Ravenswood is out, doesn't make it also more difficult to restart?

Jesse Gary

Timna, you're showing how long you've covered Century because you're referencing Ravenswood, which was in West Virginia, it was permanently curtailed back in 2008.

Timna Tanners

You know, I meant Hawesville, I'm sorry.

Jesse Gary

But I know what you mean. Yeah, I know what you mean. Hawesville. No real comment on Hawesville at all. Obviously, it's much easier to take action at operating smelter like Mt. Holly than it is to restart a curtailed smelter like Hawesville. And so, when we look at options going forward I think it'll be pretty consistent that you'll see us talk about Mt. Holly as the first option to add production, but it's really not a comment on the future prospects of Hawesville at all.

Timna Tanners

Hawesville, I'll get that right next time. Thank you again.

Jesse Gary

Thanks. Thanks, Timna.

Operator

There are no more questions, so I'll pass the call back over to the management team for closing remarks.

Jesse Gary

Thanks, everyone. We really appreciate the questions and we look forward to talking to you in February for our Q4 call. Thanks.

Operator

That concludes the conference call. Thank you for your participation. You may now disconnect your lines.