

THE ALUMINIUM AGENDA 2019-2020



Introduction

To fully realise aluminium's potential in Europe's low carbon future, we have developed our **Aluminium Agenda 2019-2020**, which features a comprehensive set of policy recommendations across four domains: trade, energy & climate, circular economy, and innovation. It also highlights two strategic documents which underpin our agenda for action: the I+Manifesto and Vision 2050.

Aluminium: the metal enabling Europe's low-carbon economy

Europe's transition to a low carbon economy needs more aluminium. Aluminium delivers to energy and CO₂ savings in leading sectors, including mobility and transport, packaging, consumer goods, and building and construction. The endless recyclability of our metal further contributes to decarbonisation and the circular economy.

SOME KEY FIGURES ABOUT THE ALUMINIUM INDUSTRY IN EUROPE EU28 + EFTA (2018)

€ ~40 Billion turnover

€ 2.1 Billion investments in Europe

1 million jobs across the whole value chain

~600 plants across Europe

3 times lower carbon footprint of primary production compared to China

THE ALUMINIUM EFFECT



Recycling takes only 5% of the energy needed for primary production

75% of all aluminium ever produced is still in use



High versatility and ability to develop tailor made alloys



A super conductor for heat and electricity



Barrier against light, odour & contamination

Highly corrosion resistant



1/3 density of steel means lighter vehicles, lower energy consumption & reduced emissions



Excellent formability

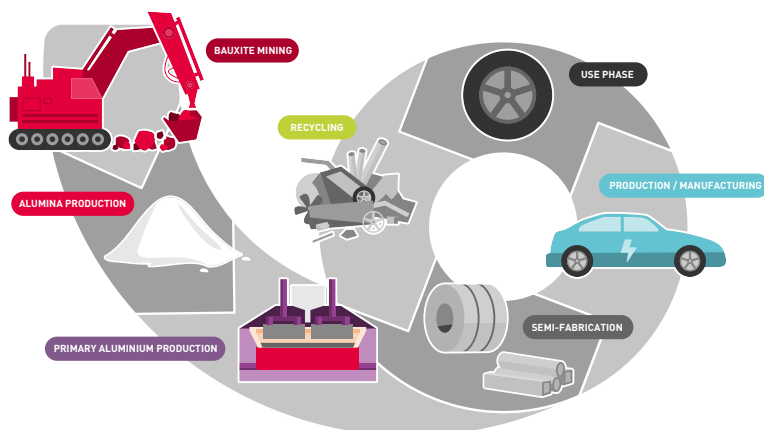


EUROPEAN ALUMINIUM

OUR I+ MANIFESTO FOR A HOLISTIC INDUSTRIAL STRATEGY

In our I+ Manifesto we call for a holistic and bold EU industrial strategy with its vision and goals rooted in the EU's wider strategy of sustainable development and commitments under the Paris Agreement.

Europe's ambition should be to preserve a strong industrial manufacturing basis and set the right conditions for its growth. Tailored policy measures and incentives for our strategic value chain during the 2020-2030 transition phase will be critical to effectively manage the shift to a decarbonised economy by 2050 effectively.

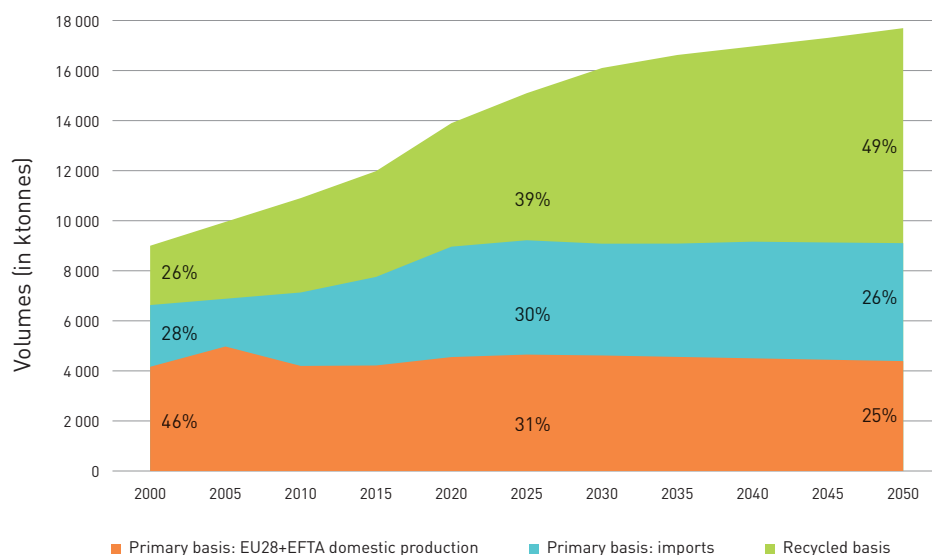


OUR VISION 2050 FOR A DECARBONISED & CIRCULAR INDUSTRY

European Aluminium and its members recognise the importance of the European Commission's mid-century strategy for a modern, competitive, and climate-neutral economy. Our Vision 2050 articulates a clear outlook for the development of a decarbonised, circular and energy-efficient aluminium value chain in Europe by 2050 and presents three scenarios for the aluminium primary production to realise its strategic potential fully.

Thanks to aluminium's unique properties, the global demand for our metal is expected to grow by 50% by 2050. Half of that demand will be met by primary aluminium and the other half by recycling. Provided the right policy conditions are in place, the CO₂ emissions from primary aluminium production can be reduced by up to 70% and increased recycling can save an extra 1 500 million tonnes of CO₂ emissions by 2050.

A realistic scenario for the primary production in Europe (i.e. EU28 + EFTA)



Source: European Aluminium based on CRU 2018 datasets

Establishing fair and free trade conditions



Distortive government support and excess capacity in China are destroying fair competition and depressing prices in the aluminium sector. It is essential to improve trade rules and restore normal market conditions so that all producers can compete fairly and transparently.

KEY POLICY AREAS

- / EU Trade defence instruments
- / EU industrial policy
- / Reform of the World Trade Organisation

CHALLENGES AHEAD

- / Europe is squeezed between subsidised excess capacity in China and the unilateral measures of the US with its section 232 tariffs on aluminium.
- / Chinese exports which would normally be destined for the US have been partially redirected to the EU.
- / Chinese excess capacity is the root cause of market distortions in our industry. Subsidised aluminium production in China undermines European production, distorts global markets and depresses global aluminium prices, threatening the competitiveness of the European aluminium industry.
- / If Chinese production further replaces European primary production, global greenhouse gas emissions would dramatically increase ("carbon leakage"), contradicting the Paris climate commitments. European primary production has a carbon footprint that is one third of that of China.

KEY FACTS

\$70bn

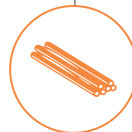
State support between 2013-2017, with 85% of this benefiting just five Chinese companies.

A January 2019 OECD report¹ recognises market distortions in the global aluminium market.



57%

China's worldwide primary aluminium (vs 11% in 2004)



X2

Chinese exports to the EU in particular semi-fabricated products (flat rolled products, including foil, and extruded products), in the past 5 years.



+/-80%

of Chinese production is based on energy from coal-fired power plants



¹ https://www.oecd-ilibrary.org/trade/measuring-distortions-in-international-markets-the-aluminium-value-chain_c82911ab-en



CALLS TO ACTION

CHINESE OVERCAPACITY

Governments and international organisations need to address state-subsidised excess capacity in China, both for primary and semi-fabricated aluminium.

CLIMATE GOALS

The EU should pressure its trade partners to comply with the Paris Agreements and make new trade deals conditional to climate change policies.

LIFT U.S. TARIFFS

Lifting section 232 tariffs on aluminium should be a prerequisite of any trade deal with the US.

REFORM WTO

WTO rules should be reformed to protect the multilateral trade system by introducing more transparency and ensuring better enforcement of current rules.

FAIR TRADE AFTER BREXIT

Trade relations between the EU and the UK should be barrier-free after Brexit. When developing its trade policy towards others, the UK should foster a fair-trading environment and implement equivalent rules for trade in goods as in the EU. The UK must respect EU rules of origin in any new trade agreement.

Furthering aluminium's potential to fight climate change



Europe's aluminium production is one of the least carbon-intensive in the world, and the carbon footprint of aluminium will continue to reduce as European electricity mix decarbonises. Aluminium's unique properties and uses in energy-efficient products make it essential in the transition towards carbon neutrality. Recycling aluminium is another important way of saving CO₂ emissions and energy. It is imperative to preserve our primary production and further developing our recycling activities in Europe.

KEY POLICY AREAS

/ The European Green Deal and the new industrial strategy.

/ Review of the EU Guidelines on State aid for environmental protection and energy (EEAG)

/ Implementation of phase IV of the ETS (2021-2030) and update of the EU State Aid guidelines for compensation of indirect emission costs

/ Energy Performance of Buildings Directive and decarbonisation of transport

CHALLENGES AHEAD

/ Aluminium is an international commodity where the European industry competes with other global players. Our competitors are sometimes supported by non-market means, particularly in China.

/ Electricity costs represent up to 40% of the total primary production cost. Europe has the highest electricity prices vs. main competitors, due to increased costs under the EU emissions trading scheme (ETS) and the greening of power generation systems. No aluminium smelter outside Europe is exposed to carbon costs in their electricity prices.

/ To achieve the EU's energy efficiency objectives by 2030, yearly renovation rate in buildings should triple. On top, thermal performance of windows is not properly assessed by Member States today.

/ EU Regulations on mobility are not technology neutral and limit the light-weighting potential for energy savings in the use phase

KEY FACTS



50%

expected increase of European and global demand for aluminium by 2050.

Europe's paradox



30%

of primary aluminium smelting capacity was lost since 2008, despite growing demand globally and significant investments in other parts of the world.

Vision 2050



1/2

of the European demand could be covered with recycled aluminium by 2050, while preserving its primary production and reducing its dependency to imports.



CALLS TO ACTION

COMPETITION POLICY

A more globally focused and forward-looking EU competition policy with tools to prevent carbon and investment leakage while supporting the decarbonisation of European industrial processes.

COMPENSATION INDIRECT COSTS

An improved compensation system for the indirect costs of the EU ETS in order to safeguard Europe's most electro-intensive sectors, such as aluminium, from the threat of carbon leakage and encourage innovation.

STATE AID RULES

Current State Aid rules for environmental protection and energy allowing for reductions from RES surcharges should be kept beyond 2022 to preserve European electro-intensive industry's competitiveness. The revised rules should also provide certainty on regulatory costs related to electricity consumption, to make solutions such as long-term Power Purchase Agreements (PPA) more attractive.

CO₂-RELATED COSTS

Adequate protection against uncertain CO₂-related costs to allow further investments in EU-based aluminium recycling activities.

ENERGY SAVINGS

Unlock the benefits of aluminium use to enhance energy efficiency and durability, in particular in low carbon technologies, mobility, packaging and construction.

ENERGY BALANCE

Renovation of buildings' facades and roofs with aluminium-based products halves energy losses and boosts energy efficiency. The EU should strengthen financial support to enhance buildings renovation. Member States need guidance to assess windows' thermal performance, i.e. using the "energy balance" that considers both energy losses and solar gains.

LIGHT-WEIGHTING

Every 100 kg saved on the weight of a car improves its CO₂ emissions by 6-10 g/km and its energy efficiency by 3-4%. The mass utility parameter in the CO₂ regulations for cars and vans should be removed to fully unlock light-weighting potential in mobility.



EUROPEAN ALUMINIUM

Boosting recycling of aluminium



Aluminium is by nature circular, with permanent material properties that do not change during use and following repeated recycling into new products. Recycling aluminium saves 95% of the energy used in primary production and an equivalent reduction in CO₂ emissions. Europe should strive towards 100% recycling of all products containing aluminium to match its circular economy ambitions.

KEY POLICY AREAS

- / Waste Framework Directive - implementation
- / End-of-Life Vehicle Directive (recast)
- / Packaging & Packaging Waste Directive (recast)
- / Design for recycling
- / Waste Shipment Regulation (recast)

CHALLENGES AHEAD

- / The aluminium industry, together with can-makers, aims to recycle 100% of beverage cans by 2030. 75% of all aluminium packaging should be recycled by 2025, mainly due to improved collection and sorting.
- / Around 1 million tonnes of aluminium scrap per year are exported to non-European regions.
- / 4 million of end-of-life vehicles per year are deregistered without a proper Certificate of Destruction.
- / Construction and Demolition Waste that is re-used or recycled, such as metal scrap, is reported along with other materials that are used for backfilling and not re-used or recycled further. It doesn't adequately promote the use of recyclable materials.
- / The way products are dismantled needs to be improved to recover even the smallest fractions from the metal.

KEY FACTS



€10 billion

revenues generated by recycling plants in Europe



+/-2.5M tonnes

of end-of-life scrap is recycled in Europe each year



High end-of-life recycling rates of aluminium in Europe:

90%+

in construction and automotive

65%

in packaging

74.5%

in beverage cans



CALLS TO ACTION

SMART DESIGN

We encourage smart design to make traceability, disassembly and recycling easier and more cost efficient. Sorting should preferably be done by specific product and alloy family.

SORTING TECHNOLOGIES

Member States should invest more in modern waste treatment centres, using the latest sorting technologies.

EXTENDED PRODUCER RESPONSIBILITY

The permanent properties of aluminium should be rewarded in the eco-modulated fees set by the Extended Producer Responsibility (EPR) schemes, recognising the potential for multiple recycling offered by aluminium.

CONSTRUCTION AND DEMOLITION WASTE

Setting a 're-use and recycling' target for construction and demolition waste, the only waste flow for which such target is missing today.

END-OF-LIFE VEHICLES

The upcoming revision of the End-of-Life Vehicles (ELV) Directive should:

- Keep the focus on waste prevention and maintain its high recycling target. Recycling and making cars lighter should be seen as compatible goals. The ELV Directive should not promote the use of less or non-recyclable materials.
- Fight against illegal exports of ELVs with an improved registration/deregistration system
- Align definitions with the new Waste Framework Directive.

QUALITY RECYCLING

To ensure quality recycling, scrap exported out of Europe should be treated by recycling facilities that comply with similar Environment, Health and Safety (EHS) standards as in Europe.

WASTE SHIPMENT

Shipment of waste needs to be made easier by adding new green listed codes for waste where needed and simplifying notification procedures.

CHEMICALS POLICY

Possible interface between chemical, product and waste legislation should ensure that the use of raw materials such as aluminium will not be jeopardised. Chemicals policy should prefer the risk-based approach rather than hazard as a measure of exposure.



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Investing in the future



As key-enabler to a more sustainable European society, aluminium is essential to applications in mobility, building and packaging. However, investments in greenfield operations are challenging due to the lack of predictability related to regulation and access to affordable and green electricity. Large-scale breakthrough production technologies and recycling facilities require considerable upfront capital. Investments in dismantling, sorting, pre- and remelting technologies are also important to further close the loop.

KEY POLICY AREAS

- / Horizon Europe
- / EU industrial policy
- / EU Innovation fund
- / Important European Projects of Common Interest (IPCEIs)

CHALLENGES AHEAD

- / Disruptive innovation is needed to move primary aluminium production towards carbon-neutrality. Full-scale demonstrators, requiring important investments, will be needed to demonstrate feasibility and profitability of such innovation prior to full-scale deployment in Europe.
- / Aluminium manufacturing and product development need to invest to reinforce its contribution to more carbon-neutral and circular mobility, building and packaging sectors
- / Significant research efforts and investments are needed to unlock the full potential of aluminium recycling:
 - Securing high collection rates at end-of-life in all markets
 - Generating high quality scrap through advanced shredding and sorting technologies
 - Developing new melt purification technologies to produce high quality recycled aluminium.

KEY FACTS

€2.1bn

was invested in Europe by the European aluminium industry in 2018.

14

aluminium companies are active in European Aluminium's Innovation Hub: a platform to trigger collaborative innovation projects connected to the EU innovation agenda.

The aluminium industry is active in

Public Private Partnerships

Sustainable Process Industry for Resource Efficiency (SPIRE), Factories of the Future (FoF), Energy-efficient buildings

EU research projects

reinforce our contribution in key markets such as energy efficient solutions in buildings (e.g. E2vent) or light-weighting in transport (e.g. Alliance), reduce our value chain footprint, e.g. enabling use of bauxite residue (RemovAl)



CALLS TO ACTION

SCALING-UP INNOVATION

Provide a predictable framework and more favourable conditions to encourage investments in greenfield operations. Remove regulatory barriers that prevent scaling up of innovations and more recycling in Europe.

EQUAL ACCESS

EU funding and investment programmes must equally and fairly address key sectors without diverting massive amounts towards specific sectors, e.g. plastics.

CIRCULAR ECONOMY 2.0

The EU Circular Economy Action Plan 2.0 should promote aluminium recycling in Europe and reduce the export of scrap to other regions.

HORIZON EUROPE

The new Horizon Europe programme should earmark a significant and specific fund for low carbon and circular value chains.

INVESTEU

The InvestEU programme should prioritise sectors that adopt a proactive industrial transformation vision for 2050, based on carbon neutrality, circularity and a positive contribution to society.

SKILLS

New EU training programmes combining digital and manufacturing expertise should be developed to secure a high-skilled labour force in Europe.

ABOUT EUROPEAN ALUMINIUM

European Aluminium, founded in 1981 and based in Brussels, is the voice of the aluminium industry in Europe. We actively engage with decision makers and the wider stakeholder community to promote the outstanding properties of aluminium, secure growth and optimise the contribution our metal can make to meeting Europe's sustainability challenges. Through environmental and technical expertise, economic and statistical analysis, scientific research, education and sharing of best practices, public affairs and communication activities, European Aluminium promotes the use of aluminium as a material with permanent properties that is part of the solution to achieving sustainable goals, while maintaining and improving the image of the industry, of the material and of its applications among their stakeholders. Our 80+ members include primary aluminium producers; downstream manufacturers of extruded, rolled and cast aluminium; producers of recycled aluminium and national aluminium associations are representing more than 600 plants in 30 European countries. Aluminium products are used in a wide range of markets, including automotive, transport, high-tech engineering, building, construction and packaging.

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