

Executive Summary

European Aluminium represents the entire value chain of the aluminium industry in Europe. Our industry is leading the transition to a climate-neutral and circular economy, sitting at the start of long value chains that are essential for European citizens: transport (40%), building and construction (30%) and packaging (20%). The COVID-19 crisis is having a disruptive impact on our value chain¹ and members' daily operations, ranging from plant closures due to the lower demand and government restrictions, to a shortage of workers and liquidity problems.

We welcome the swift adoption of measures by the EU institutions and Member States to help the European economy recover from the COVID-19 crisis. Building on the European aluminium industry's long commitment to sustainability, we endorse the European Green Deal to remain one of the pillars of Europe's recovery plan.

At the same time, the immediate economic and social impact of the COVID-19 crisis on global material value chains and the EU's internal market must be thoroughly considered. Value and supply chains that have been disrupted must be re-established and be more resilient to economic shocks. This crisis shines a light on Europe's dependence on strategic raw materials from other regions. Europe should urgently reflect on how to reinforce its strategic autonomy in global value chains, preserve existing industrial assets and reshoring the production in Europe instead of relying on carbon-intensive imports. Reduced European production will only increase our dependency on primary imports with a significantly higher carbon footprint.

The aluminium value chain should thus be at the forefront of strategic eco-systems, both in the recovery plan and in the transition to a climate-neutral and circular economy. Industries in Europe need today more than ever an enabling framework to be more energy-efficient, competitive, circular, and sustainable to deliver and invest in climate neutrality while operating in a free and fair-trade environment².

In this paper, we outline a set of concrete measures that the EU Commission and the Member States could take to help the aluminium industry going through the crisis and mitigating the risks of a more severe impact on our value chain. The purpose of those measures should be to re-establish the confidence of European citizens and consumers in the overall economy, stimulate demand and make our value chain more resilient, competitive and less dependent on other regions.

¹ See [here](#) our statement on the impact of the COVID-19 on the European aluminium value chain.

² See [here](#) our position paper and policy recommendations on the new EU Industrial Strategy.

We are calling upon the EU Commission and the Member States to focus their efforts on:

- **Preventing shutdowns of European aluminium smelters.** The scale and the nature of the electrolysis production process require the operations to run 24/7. The associated cost of curtailing capacity and then re-starting it is prohibitively high.
- Considering **temporary tax-abatement or tax-relief on the energy costs** for electro-intensive industries such as aluminium.
- The **swift adoption of the new EU ETS Guidelines** should allow targeted aid for the most electro-intensive undertakings, which are also the most exposed to international competition³.
- **Ensuring EU companies' financial liquidity.** A swift and coordinated solution for gaps in credit insurances is required.
- **Stimulating demand for strategic and low carbon materials** like aluminium, via public procurement and new public funds, requiring the purchase of a higher degree of local (EU/EEA) production from sectors receiving aid temporarily.
- **Incentivising aluminium's circularity potential** as an opportunity to reduce Europe's dependence from carbon-intensive imports while lowering emissions.
- **Reinforcing Europe's trade defence instruments**, expeditiously using anti-dumping and anti-subsidy measures to secure fair and sustainable price levels, and **reinforcing the screening of foreign direct investment.**

Recommendations for a sustainable industrial recovery plan

1. Economic and financial support to re-start the economy

To recover from the crisis, Europe needs to reduce some of the pressure on economic actors, in particular small and medium-sized companies, both in the short and long-term. It also needs to re-establish confidence and stimulate demand for sustainable products and solutions. This means:

In the short-term:

- Ensuring EU companies' financial liquidity should be a top priority for the EU banking sector right now. A swift and coordinated solution for gaps in credit insurances is required. The EU and the Member States should take some of the risks for loans to companies of all sizes to help the economy re-start.
- Considering temporary tax-abatement or tax-relief on the energy costs for industries, in particular electro-intensive industries such as aluminium. This could include a reduction (or exemption) from network charges further to the integration of new decarbonisation technologies or policies stemming from the EU Green Deal (e.g. energy storage, new infrastructure, smart grids).

³ See [here](#) our position paper on the draft ETS Guidelines, March 2020

- The new ETS State Aid Guidelines should be adopted swiftly in view of the beginning of phase IV of the ETS. This should allow targeted aid for the most electro-intensive industrial undertakings, which are also the most exposed to international competition.
- Guidelines on State Aid for environmental protection and energy must be improved to provide adequate measures to preserve the competitiveness of energy-intensive industries.
- Stimulating demand for strategic and low carbon materials like aluminium, in particular for the acceleration of e-mobility, the “renovation wave” and a circular economy based on carbon neutrality and closed-loop usage of our material resources, via public procurement and new public funds purchase of a higher degree of local (EU/EEA) production from sectors receiving aid temporarily.
- Financial support for short-time work programmes in all Member States should continue until at least the end of 2021.
- In the context of the European Investment Bank’s financial instruments, Member States should have equal access to funds and credit to ensure a balanced recovery of business and demand across Europe.

In the mid-to-long term:

- Consider alternative carbon leakage measures for electro-intensive sectors in the context of the ongoing impact assessment work for increased emission reduction targets for 2030⁴.
- Regarding the proposed allocation scheme for carbon allowances to 2030, the years 2020 and 2021 should not be part of the free allocation calculation for 2022 and onwards, as emission levels for 2020 and 2021 are likely to be considerably below normal. Also, the Commission should give the possibility to surrender verified allowances within 2 or 3 years after verification, to give some financial flexibility given the departure from “business as usual” during the crisis.
- Ensuring the EU energy-intensive industries have access to stable and secure electricity at prices that preserve their production in Europe and their global competitiveness.
- Stimulating large-scale pooling of resources for breakthrough technologies to achieve more than 70% reduction of CO₂ emissions from the primary aluminium operations⁵.
- Accelerating projects (local and European) that strengthen European value chains to deliver sustainable and circular products and solutions, e.g. investments in collection and sorting equipment and technologies to boost the circular economy⁶.
- The adoption of a European Taxonomy recognising the electro-intensive nature of aluminium production and protecting the competitiveness of European producers, which already have a carbon footprint well below the world average⁷.

2. Reinforcing Europe’s strategic autonomy in global aluminium markets

Global competition, especially from China, will ramp-up fiercely in the post-COVID19 world, threatening even more European aluminium producers’ resilience. The Chinese threat to the European aluminium industry remains permanent and significant due to its massive subsidised excess production. The volumes available make the Chinese industry capable of entirely replacing the European aluminium industry with a significantly higher carbon footprint.

⁴ See [here](#) European Aluminium’s response to the European Commission’s consultation on the Inception Impact Assessment Roadmap for an EU wide Carbon Border Adjustment Mechanism

⁵ See [here](#) our Vision 2050

⁶ See [here](#) our Circular Aluminium Action Plan

⁷ See [here](#) our position on the climate mitigation criteria for the EU Taxonomy Regulation

Therefore, maintaining primary and recycled aluminium production is essential for Europe's raw material sovereignty. This means:

In the short-term:

- The aluminium value chain should be recognised as part of strategic eco-systems that support the transition to a climate-neutral and circular economy.
- Shutdowns of European aluminium smelters should be prevented. The scale and the nature of the electrolysis production process require the operations to run 24/7, and the associated cost of curtailing capacity and then re-starting it is prohibitively high. Therefore, smelter closures might end up being permanent, further weakening the segment.
- Expediently using anti-dumping and anti-subsidy measures to secure fair and sustainable price levels, emphasising the threat of injury to European industry as well as *de facto* injury.
- If the conditions are met, introducing safeguards to mitigate sudden and aggressive trade behaviour, also in case of a threat of injury.

In the mid-to-long-term:

- Diversifying the EU supply of strategic materials and assessing European dependence to imports, in particular from world regions that do not operate under equivalent conditions from a climate, environmental, safety, and human rights perspective.
- Incentivising and removing barriers to aluminium's circularity potential, as an opportunity to reduce Europe's dependence from carbon-intensive imports while lowering emissions.
- Giving priority to strengthening Europe's trade defence instruments to be more efficient and effective, while reinforcing the screening of foreign direct investment. In this respect, the revision of the EU trade policy in 2020 would be a positive step.

3. A well-functioning single market and a level playing field

In our daily business operations, we see that the response to the current crisis is not less Europe, but more Europe, and it starts with our common European market. It is vital to ensure the transportation of essential goods and flow of services across our borders, such as medical, pharmaceutical, food and energy. In this respect, we welcome the European Commission's initiatives on 'Green Lanes' and on the free movement of workers to support the functioning of the Single Market. Companies manufacturing and recycling aluminium also need:

In the short-term:

- Reducing bureaucratic obligations, for example, credit access procedures.
- Simplifying transport procedures and enhancing recycling by companies that work according to rigorous technological and environmental standards.
- Encouraging the recovery of waste within production processes and through collection and separation of end of life waste to promote the circular economy.
- Limiting the export of scrap to keep valuable materials in Europe in a circular system.
- Allowing increased flexibility with regards to regulatory deadlines (e.g. ensuring compliance with the BATs under the Industrial Emissions Directive 2010/75/EU, ETS reporting) until global supply chains have been fully restored.
- Introducing a clear reference to the concept of multiple recycling in the upcoming EU guidelines on mandatory extended producer responsibility (EPR) and eco-modulated fees for packaging.

In the mid-to-long term:

- Maintaining a level playing field both in the single market - all Member States can intervene under comparable conditions to support companies – and at the global level since the aluminium sector is particularly exposed to international competition. The European Commission should have dedicated resources to assess and screen foreign subsidies and takeovers and accelerate the reform of WTO rules.

4. A coordinated approach to re-start production under safe conditions

Maintaining the free movement of goods, workers and services under safe conditions should be a cornerstone of the recovery plan. This means:

In the short-term:

- A coordinated approach when defining the relevant safety and health rules in each Member State for when production re-starts (for example social distancing, personal protective equipment, disinfection, health screening, etc.).
- A smooth reopening of the borders between the Member States. Many employees live in neighbouring countries and should be allowed back to work.
- Personal protection equipment (PPE) is necessary in larger quantities and in a timelier way.
- A smooth return to full production for our primary customers requires a simultaneous return to production across the whole supply chain and in all countries. If a supply chain is broken, production will stop.
- Logistics must be secured and maintained with open transport links across the EU, and into/out of the EU.

In the mid-to-long term:

- Encourage Member States to draw lessons from the outbreak and set up a common portal to share best practices taken to fight COVID-19.
- Support a European approach to build-up autonomy in crucial health protection materials and PPE.

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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