

Our key message

- **Aluminium is playing a vital role in Europe’s transition to a climate-neutral and circular economy. Aluminium delivers energy and CO2 savings in leading sectors. It is used to produce solar panels, wind turbines, lightweight vehicles, energy-efficient buildings, and transmission cables for the transfer of renewable electricity. The endless recyclability of our metal further contributes to decarbonisation and the circular economy.**
- **The World Bank estimates that by 2050, the world will require 200% more metals for the manufacture of wind turbines, 300% more in solar panels, and 1000% more in batteries¹. Therefore, it is fundamental to deliver low-carbon aluminium and to embrace the “do no harm” principle in accordance with the European Green Deal.**
- **Our metal not only delivers significant energy and CO2 savings in the use phase, - which can often entirely offset the initial energy consumption required to produce it² - but it is increasingly produced in a climate-neutral way. Given that the primary aluminium production process is already electrified, its carbon footprint will continue to decrease as the European power sector decarbonises. A fully decarbonised European power sector would eliminate up to 70% of the remaining carbon footprint. The European aluminium industry is a front runner when it comes to its CO2 emissions performance across the whole value chain, as well as for other sustainability standards related to the environment (industrial emissions & industrial waste), social and human rights, governance and transparency. In addition to complying with a demanding regulatory environment, our industry has set voluntary commitments under the Sustainability Roadmap 2025 to achieve fully sustainable production, innovative applications and a positive contribution to society.**
- **A proper international definition and an industry-wide label³ of sustainable aluminium must not be limited to the carbon footprint of the primary aluminium smelting process. The low carbon dimension should be a corner-stone of this definition and label, but the scope should be broadened to consider a full life cycle assessment (LCA) approach and adhere to high sustainability standards related to the environment (industrial emissions & waste), social and human rights, governance and transparency equivalent to those we have in Europe today.**
- **The European aluminium industry stands for free and fair trade conditions and a level playing field with other world regions. We welcome any importer that follows the path that adheres to the equivalent standards we have in Europe and respects international trade rules. Efficient monitoring processes should be in place to avoid circumvention of those rules. In parallel, priority must be given to incentivising the domestic production of sustainable aluminium and recycling, rather than incentivising imports and increasing the EU’s import dependence, which would otherwise compromise the EU’s efforts to reinforce its strategic autonomy.**

¹ [The World Bank](#), 2017. The Growing Role of Minerals and Metals for a Low Carbon Future.

² [European Aluminium](#), 2019. Vision 2050.

³ The only existing standards is defined by the [Aluminium Stewardship Initiative](#), which European Aluminium supports as association member. However, the ASI criteria do not take fully into account the European regulatory requirements.

Sustainable aluminium is a crucial enabler to the Green Deal objectives

- **Europe is already a frontrunner when it comes to producing low carbon aluminium and companies are constantly improving.** As a consequence, the carbon footprint of European domestic primary aluminium production is one of the lowest in the world.
 - The carbon intensity of primary aluminium production in a cradle to gate approach (i.e. from bauxite to smelting operations, including transport) in Europe (EU27+ EFTA) is much lower than the global average. It has decreased by 21% since 2010 and by 55% since 1990, meaning that the carbon footprint of producing primary aluminium in Europe (6.7 tCO₂ per tonne of aluminium) is, on average, three times lower than the carbon footprint of producing the same metal in China (20 tCO₂/t)⁴.
 - In addition, European smelters provide critical services to energy providers e.g. heat recovery, modulation (e.g. virtual battery), interruptability, as well as high labour standards.
 - The European primary production should be protected from carbon leakage. The current European primary production does not suffice to cover the present and growing demand for aluminium. However, replacing EU's primary production with imports from other regions will increase the EU's total CO₂ footprint. This is true even if the imported aluminium has a lower CO₂ footprint than the EU average production. This is linked to the fact that the emission rights are capped by the ETS system and will be used by other industries. As long as the non-EU based production is not covered by an emission trading scheme, any import into Europe would lead to an increase of the EU's total CO₂ emissions.

As a consequence, every increase in European industrial production that displaces more carbon-intensive production in other regions of the world leads to a reduction of emissions on a global scale. Thus, supporting and increasing the level of industrial production in Europe is the best way for the EU to decrease global emissions.

- **The European aluminium industry is committed to taking a holistic approach to run its operations sustainably and is embracing the UN Sustainable Development Goals (SDGs) to 2030⁵.** The industry's efforts are not restricted solely to CO₂ emissions and the carbon footprint of its operations, but it embraces the three pillars of sustainability⁶. European Aluminium has been monitoring the economic, social, environmental and recycling performance of the value chain since 1997. Measuring only the carbon footprint of aluminium primary production is not an appropriate way to assess the sustainability performance of an aluminium product. A full life cycle assessment and holistic approach touching upon the entire value chain is needed.
 - With its [Sustainability Roadmap 2025](#), the European aluminium industry has taken a step further and made voluntary commitments from responsible production and sourcing to waste management, higher recycling rates and employee welfare. Progress towards the voluntary targets is measured and reported in a transparent manner through a comprehensive set of more than 20 Sustainable Development Indicators (SDIs), collected regularly.
 - Our [Vision 2050](#) articulates a clear outlook for the development of a decarbonised, circular and energy-efficient aluminium value chain in Europe by 2050. The carbon intensity of primary aluminium

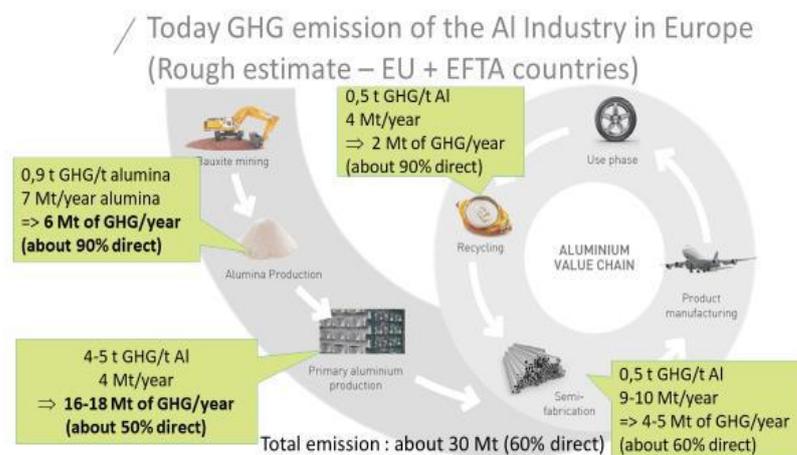
⁴ [Environmental Profile Report](#), European Aluminium, 2018.

⁵ [European Aluminium and the Sustainable Development Goals](#), January 2019.

⁶ Dashboard ranking countries in the world depending on how they are scoring to achieve the UN SDGs: <https://dashboards.sdgindex.org/rankings>

production in Europe has decreased by more than half since 1990 and will further decrease by 70% by 2050 as electricity grids decarbonise.⁷

- Our recent [Circular Aluminium Action Plan](#) is the sector's strategy for achieving aluminium's full potential for a circular economy by 2030. Increasing the share of European recycled aluminium instead of relying on carbon-intensive primary imports could lead to a reduction by up to 39 million tonnes of CO₂ per year in Europe by 2050 compared to today.
- In addition, the European aluminium industry is investing in breakthrough technologies to further reduce direct carbon emissions from across the value chain, from alumina refinery to smelting, semi-fabrication and recycling operations.



As a consequence, a proper international definition and an industry-wide label of sustainable aluminium must not only be based on the carbon footprint of the primary aluminium smelting process but rather consider a full life cycle assessment (LCA) approach and adherence to high sustainability standards related to the environment (industrial emissions & waste), social and human rights, governance and transparency equivalent to the standards we have in Europe today.

- **Global trade tensions and COVID-19's disruption of worldwide supply chains have re-emphasised the strategic importance of maintaining a resilient, autonomous, and complete European value chain.** It is vital for Europe's raw material sovereignty to increase primary and recycled aluminium production in Europe, rather than depending too much on imports from other regions⁸. It would be naïve to forego an entire sector that will be increasingly critical for future low carbon technologies. Diversification of supply sources is key, a healthy European supply base, a must.

There's no level playing field with competing world regions, which puts primary aluminium production under threat. The latest investments in EU's smelting capacity dates back in the 1990s, while at the same time, other world regions have seen their smelting capacity increasing steadily. In the case of China, the production of primary aluminium has been multiplied by five in the past fifteen years.

⁷ Data is taken from European Aluminium's [Vision 2050](#) (2019). Vision 2050 is a report that articulates a clear vision for the development of a decarbonised, circular and energy-efficient aluminium value chain in Europe by 2050.

⁸ Imports of primary aluminium to Europe has a carbon footprint of 10,7 t CO₂/t of aluminium on average.

- **Carbon and investment leakage** are threatening Europe's strategic autonomy in aluminium and compromising the achievement of our climate goals. The EU has lost more than 30 per cent of its primary production capacity since 2008 despite growing aluminium demand globally and significant investments in other parts of the world. The lack of investment in some European smelters and subsequent closures were due to high energy costs and a challenging regulatory environment that made these smelters uncompetitive. Investments in greenfield operations in Europe are challenging due to financial barriers, the lack of predictability related to regulation and access to affordable and green electricity.
- Europe has the **highest electricity prices**⁹ vs main competitors (Russia, UAE and China), due to increased costs under the EU Emissions Trading Scheme (ETS indirect costs) and the greening of power generation systems. **No aluminium smelter outside Europe is exposed to carbon costs in their electricity prices, as well as other regulatory costs, primarily linked to European climate policies.** Since aluminium is priced on global markets such as the London Metal Exchange (LME), European producers cannot pass on their extra carbon costs without losing significant market share and are price takers on the market.
- The European aluminium industry is **undermined by subsidised aluminium production in China**, which distorts global markets and depresses global aluminium prices. Massive state subsidies have allowed Chinese producers to build up excess capacity and dump their products on the European market. These dumped products can render uneconomic European investments in innovations to decarbonise the production process or increase recycling. A recent OECD report concluded that on the global level, aluminium companies received USD 70 billion in different forms of support between 2013-2017, whereas a massive 85% of these subsidies went to just five Chinese firms¹⁰.
- More broadly, some of Europe's main competitors benefit from **unfair State fixed pricing, dual pricing in gas and energy products**¹¹, and a **variety of industrial subsidies to support their domestic aluminium industry**. Any importer, no matter how sustainable their products might be, must comply with the international rules for free and fair trade. Europe's trade defence instruments should be harnessed to tackle exporters that benefitted from excessive State interference and destroy the global level playing field.

Priority must thus be given to incentivising the domestic production of low carbon aluminium and aluminium recycling in particular, rather than incentivising imports and increasing the EU's import dependence. The EU must provide an enabling policy framework to support the European aluminium industry in further decarbonising its production processes across the value chain.

Our policy asks to foster the production of sustainable aluminium in Europe

More aluminium will be needed to make the transition to a climate neutral and circular economy. The European industrial base for producing and recycling aluminium is there but remains highly import reliant (around 30% of the EU's needs for primary aluminium is imported), and has lost considerable global market share in the last decade (e.g. 30% of the EU's primary aluminium production being idled since the 2008 financial crisis).

European Aluminium's Manifesto to foster the production of sustainable aluminium in Europe defines the necessary regulatory conditions and incentive measures to mobilise investments and EU fundings and address unfair global

⁹ CEPS study on electricity prices and costs, 2019.

¹⁰ OECD, 2019. Measuring Distortions in International Markets: The Aluminium Value Chain.

¹¹ Dual pricing occurs when there are differentiated prices for energy products for domestic customers and those destined for export, which arguably gives domestic energy intensive industries an unfair advantage in the global market.

supply into the EU. More EU funding and investments need to be directed towards industrial research and innovation to decarbonise the value chain as a condition for our license to operate.

1. The Commission must present a **clear strategy to ensure the availability of climate-neutral electricity at globally competitive prices**, including support schemes to facilitate corporate investments in renewable technologies and a policy framework for long-term power purchase agreements (RES PPAs), possibly by foreseeing compensation for the additional costs incurred by electro-intensive industries when consuming decarbonised electricity. This could be achieved under the revised State Aid Guidelines on Energy & Environment (EEAG), or within the context of the Important Projects of Common European Interest (IPCEI) framework. Incentives for industrial facilities participating in energy balancing markets and demand response schemes should be further encouraged. The upcoming energy system integration and hydrogen strategies represent an opportunity to further decarbonise the power-system and spur public and private investments to decarbonise our value chain. At the same time, highly efficient and mature low-carbon generation should be supported in the transition period, providing invaluable flexibility resources to the system and stable supply, fostering further deployment of RES.
2. **An improved and adequate indirect costs compensation scheme to protect aluminium producers from carbon leakage in Phase IV of the EU ETS.** Given both the complexity of our value chain and the significance of indirect emission for our production process, a Carbon Border Adjustment Measure (CBAM) does not seem like a viable carbon leakage instrument for aluminium and therefore cannot be viewed as a silver bullet that is capable of preventing carbon leakage under any scenario. Priority should thus be given to improving the ETS indirect Guidelines and ensuring the possibility for the EU Member States to grant targeted aid to those undertakings that are the most exposed to electricity costs. Additional carbon leakage measures, beyond a CBAM, should be considered and analysed in the ongoing impact assessment.
3. The new Circular Economy Action Plan should **boost the recycling production in Europe and limit the export of scrap** :
 - a. **Incentivising and removing barriers to aluminium’s circularity potential**, as an opportunity to reduce Europe’s dependence on carbon-intensive imports while lowering emissions. It is in particular fundamental to design products for circularity and to incentivise investments in waste collection and sorting centres and modern separation technologies.
 - b. **Diversifying the EU supply of strategic materials and assessing European dependence on imports**, in particular from world regions that do not operate under equivalent conditions from a climate, environmental, safety, and human rights perspective.
 - c. **Limiting the export of scrap to keep valuable materials in Europe** in a circular system and only allow for scrap export to third countries in case of a proven facility meeting the same environment, health and safety standards as in the EU.
4. **Europe’s strategic eco-systems** that support the transition to a climate-neutral and circular economy like aluminium should be at the heart of the EU’s and national recovery plans. The EU Commission should prioritise the launch of the **Alliances on Raw Materials and low carbon industries** as a way to accelerate low carbon aluminium manufacturing and mobilise investments into strengthening Europe’s industrial base.
5. **A more globally focused competition policy to accelerate industrial transformation is required.** This should include a revised state aid policy framework, including revised State Aid Guidelines on Energy & Environment (EEAG) that goes beyond the Important Projects of Common European Interest (IPCEI) approach tailored to

support strategic value chains that must innovate and are at risk of carbon leakage, while also supporting the development of low-carbon products.

6. **Existing tariff measures on unwrought alloyed and unalloyed aluminium are a result of years of multilateral trade negotiations and should be maintained.** The demand for primary aluminium in Europe is strong and keeps growing. European smelters, however, are vulnerable because the regulatory costs for producing primary aluminium in Europe are much higher than in other regions. In addition, smelters face uncertainty when it comes to energy prices. The duties on unwrought aluminium in place ensure a more level playing field when competing with foreign producers.
7. **Strong trade defence instruments are necessary as well as a robust and ambitious EU trade policy, that pursues an effective level playing field, addresses distortive effects of foreign subsidies within the EU, facilitates diversification of supplies, and reinforces our defences against unfair trade practices.** Climate issues should be taken into account when evaluating trade defense measures (anti-dumping or anti subsidy). We also welcome a stricter investment screening mechanism.
8. **The European aluminium industry supports a European Sustainable Finance Taxonomy.** It recognises the electro-intensive nature of aluminium production and protects the competitiveness of European producers, which already have a carbon footprint well below the world average. The EU taxonomy should guide investors towards projects that can achieve significant sustainability benefits. In order to achieve this, the eligibility criteria for primary production should fairly assess **both direct and indirect emissions of the production process as well as recognise the overall benefits of aluminium in the use-phase.** However, limiting the notion of “sustainable” to low-emissions activities is a manifest distortion of the UN SDGs, while it also allows room for a non-balanced (i.e. truly sustainable) push of the climate agenda, while overlooking human welfare. It is absolutely crucial to ensure that the taxonomy’s technical screening criteria are inclusive, well-designed, realistic, and achievable, in order to ensure that the taxonomy can actually achieve its stated purpose of boosting genuinely sustainable investments. If the screening criteria do not reflect industrial realities, it would then have the complete opposite effect to the one intended: it would make it even more difficult for companies to invest in sustainable projects.