

European Aluminium represents the entire aluminium value chain with more than 600 plants operating primary smelting, semi-fabrication and recycling activities in wider Europe. Aluminium is made in Europe, recycled by Europeans and used by our citizens in their cars, bikes, window frames, beverage cans. More importantly, it is also an essential element for the technologies delivering Europe's future carbon neutrality such as renewable energy, electricity or data transmission grids¹. Our sector is facing considerable challenges, with high electricity costs² and significant distortions³ in the global aluminium market, which depress global aluminium prices and threaten European producers.

We welcome the opportunity to provide our feedback on the European Commission's proposed draft Implementing Regulation determining the benchmarks values for free allocation in the period 2021-2025⁴.

According to the ETS Free Allocation Rules (FAR)⁵, there are two product benchmarks set for the aluminium sector: one for electrolysis (1.514 tCO₂/t Al in phase III) and one for the anode production (0.324 tCO₂/tAnode in phase III).

All the remaining segments of the aluminium value chain are covered by the heat and fuel consumption fall-back benchmarks (62.3 tCO₂ /TJ and 56.1 tCO₂/TJ in phase III respectively).

Product benchmarks

The Commission proposes to apply the following reduction rates to the two current product benchmarks, for the period 2021-2025, based on the data collected for 2016/2017:

- -4.66%, leading to the proposed new benchmark of 1.443 tCO₂/tAl
- -3.84%, leading to a proposed new benchmark of 0.312 tCO₂/tAnode

The two reduction rates, both close to the minimum of the range, reflect the narrow margin of further technological improvement of our primary production processes, which have already significantly reduced its footprint in the last decades.

Fall-back benchmarks

With regards to the fall-back benchmarks, which apply to all the remaining segments of the aluminium value-chain, we acknowledge the Commission's decision to propose the maximum reduction rate of 24%. As a consequence, the new proposed values for the fall-back benchmarks are respectively 47.3 tCO₂/TJ (heat) 42.6 tCO₂/TJ (fuel).

In the ETS phase III, the fuel benchmark was taking **natural gas as a reference fuel**, being the most available and abundant energy source used EU-wide. Other fuels that are considered in setting the new benchmarks, e.g. biomass, are not uniformly available within the EU and across different sectors. The availability depends on several factors

¹ See JRC [Report](#) "Raw materials demand for wind and solar PV technologies in the transition towards a decarbonised energy system", 2020

² See CEPS Study, commissioned by DG ENERGY, [here](#) "Composition and drivers of energy prices and costs in energy intensive industries", 14 January 2019

³ See OECD [report](#) "Measuring distortions in international markets: the aluminium value chain", January 2019: China affects international prices through subsidised dumping. It produces 57% of worldwide primary aluminium, compared to 10% 15 years ago. According to OECD, 85% of the \$70bn support to aluminium companies worldwide went to just 5 Chinese firms

⁴ See EC have your say webpage [here](#)

⁵ See [here](#) Annex I to Delegated Regulation (EU) 2019/331

including national/regional population densities and the relative sizes of agriculture, forestry, marine and waste-based sectors.

Just to give a quantitative example, an alumina refinery would need up to 100 trucks a day of biomass (about 1 million tonnes per annum) to cover its energy needs: on top of the impossible supply challenge, there would be as many logistic and social challenges with the local community.

We are extremely concerned by the strong impacts that the drastic reduction of the fall-back benchmarks will have on crucial segments of the European aluminium value-chain, e.g. the alumina refining, which supplies raw materials to the primary industry; the recycling sector, delivering a big contribution to the circular economy; the heat treatment of aluminium products, dramatically increasing the GHG performance of a wide range of applications in transport, buildings etc.

The whole aluminium value chain is widely recognised to be at high risk of carbon leakage, and due to the high demand of aluminium for sustainable and low-carbon applications, the production lost in Europe due to excessive legislative burden would be immediately replaced by imports from competing regions with a much higher carbon footprint.

In our view, the ETS should be focused on the decarbonisation of the industrial operations, leaving the incentive to the use alternative fuels (e.g. biomass) to other legislative instruments. Mixing the two approaches in practice doubles the burden, with the additional complication given by the limited availability of lower-carbon fuels.

To ensure continuity between ETS Phase III and IV and a fair treatment of installations allocated through the fall-back benchmark in phase IV, **the assessment on the improvement of the CO₂ reductions should be made only taking into account installations using natural gas, leaving out of the calculation those using other energy sources, such as biomass. All unrepresentative energy sources should be excluded from the benchmark curve.**

The data collection & review process

We would like to take the opportunity to also share our views based on the experience of collecting, analysing and reviewing the data shared by our member companies with their national competent authorities and then subsequently analysed by the Commission services.

In particular, we would like to stress:

- **A very thorough appreciation of the open and positive exchanges with the Commission's services**, to discuss the aluminium sector's specific characteristics and performance, through the relevant expert groups and bilateral discussions, always in full respect of the principles of confidentiality and transparency;
- **The importance of involving industrial sectors, via their European associations, since the beginning of the benchmark review process.** This can to ensure consistency in the approach, common interpretation and quality check of the data reported by industrial facilities to their respective national authorities, within the boundaries of confidentiality;
- **The challenges brought by the existence of different practices and interpretations in collecting the data by the different national authorities.** This shows the importance of providing clear guidance to all involved parties throughout the data collection and examination process. In addition, regular reality checks with

industry help to ensure that the ETS benchmarks reflect the reality of the sector, taking into account the geographical and structural differences of the reporting installations;

- **Slight changes and interpretations in the data collected and reported by one national authority can have profound financial implications for the entirety of the sector.** For this reason, a thorough review of the data quality with industry experts is of paramount importance.

For further information, please contact:

Sandro Starita

Director Environment, Health and Safety & Sustainability
P +32 2 775 63 61 / M +32 494 52 59 04

Emanuele Manigrassi

Public Affairs Manager
P +32 2 775 63 97 / M +32 471 73 53 06

European Aluminium, Avenue de Tervueren, 168 – 1150 Brussels, Belgium