



EUROPEAN ALUMINIUM

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**TO:** European Commission President Ursula von der Leyen; Executive Vice President Valdis Dombrovskis; Executive Vice President Frans Timmermans; Executive Vice President Margrethe Vestager, Vice President Maroš Šefčovič; Commissioner Nicolas Schmit; Commissioner Paolo Gentiloni; Commissioner Thierry Breton; Commissioner Kadri Simson, Commissioner Virginijus Sinkevičius

Dear Madam President,  
Dear Executive Vice-Presidents and Commissioners,

European Aluminium – the voice of the aluminium value chain in Europe – is very concerned about the ongoing energy prices crisis. Under normal market conditions, electricity already represents up to 40% of European primary aluminium production costs. **Between Summer and December 2021, the electricity bills of European aluminium producers have, however, increased by + 300%, representing now more than 80% of today's aluminium sales price. Aluminium is a globally traded commodity, and the difference between increases in European electricity prices and third market prices is not reflected globally.**

The surge in energy prices is hitting European aluminium producers particularly hard, compared with global competitors and other raw materials sectors in Europe. **In the last three months alone, nearly half of the still operating aluminium smelters in Europe had to either curtail their production or close entirely. Producers in France, Germany, Romania, the Netherlands, Slovenia, Slovakia and Spain are affected to date** (see annex I to the present letter).

Europe has lost more than 650,000 tonnes of its annual production capacity since the dramatic rise in energy prices in October 2021. At the same time, production restarts, expansions and outright new capacity are the norm elsewhere in the world, indicatively in China, Russia, Iran, the USA, Brazil, Argentina, Australia, India and Indonesia (see annex II to the present letter).

On a longer-term basis, the EU has already lost 30% of its primary production capacity since 2008, despite the steadily growing demand for aluminium in Europe and globally.

**Europe's unique regulatory framework is at the core of this downward trend. The current energy prices crisis has only further spurred the European production loss, with dramatic effects on both jobs and future investment plans, as well as the EU's overall strategic autonomy and climate-neutrality ambitions.** Europe's aluminium industry is amongst the least carbon intensive in the world; the carbon footprint of producing primary aluminium in Europe is over 50% lower than the global average. This means that the ongoing replacement of European aluminium production is leading to a significant increase in global emissions, which also constitutes **undeniable evidence of carbon leakage.**



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Unfortunately, the EU Commission's energy crisis toolbox Communication is far from adequate to tackle the systemic energy-related burdens of European companies. This global crisis is evolving into a European raw materials crisis unless no bolder and immediate actions are taken by the European Commission and national governments. The EU's regulatory framework may need evaluation and improvement, but such process requires a minimum of three years, time European industry and workers do not have.

**We, therefore, urge the Commission and the co-legislators to act immediately to protect European jobs and domestic aluminium production from further de-investment and carbon leakage.**

**To that end, following actions must be taken:**

- **Swiftly develop an emergency state aid framework that provides clear conditions and rules allowing Member States to take quick action to help national industries during high energy prices crises (similarly to the State Aid Temporary Framework for COVID-19).** This framework would assure national authorities that the measures to help their most exposed industrial sectors are in line with competition rules and would provide clarity and reduce distortions between Member States. National schemes should not only support households, but also most exposed industries, which are already facing the devastating consequences of the energy price crisis. A lack of action will lead industry to no longer be able to survive in Europe, let alone contribute to the vast and increasing global demand for transition-enabling products such as aluminium. While this particular crisis may be temporary, it will have long lasting effects on the European aluminium value chain.
- **Set up long-term mechanisms to facilitate the production, accessibility, and consumption of decarbonised energy at globally competitive prices for energy-intensive consumers.** Some examples are national financial guarantees that support the uptake of Renewable Energy (RES) PPAs or supporting investments in renewable energy capacity. RES production costs have risen as well because of the increase in raw material costs and shortages, making it even more difficult to enter long-term contracts<sup>1</sup>. The industry needs more rapid deployment of renewable electricity capacity and access to long term PPAs that can shield against extreme fluctuations in the energy markets. We urge the EU to facilitate such deployment.
- **Ensure that the proposed EU Carbon Border Adjustment (CBAM) and revised emission trading system (ETS) work for aluminium<sup>2</sup>.** If not carefully designed, the CBAM will make European production more expensive, hamper low-carbon investments, harm the competitiveness of European exports, and fail to incentivise third countries to decarbonise their production. The CBAM's introduction should be gradual, it should only cover direct emissions and its scope should be broadened to include more downstream products. A review mechanism should be integrated in the proposed rules if the CBAM does not deliver on its intended objectives during the transitional period. The current energy market crisis is also a stark reminder of how important the ETS guidelines for compensation of indirect carbon costs are for European electro intensive industries. Across Europe,

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<sup>1</sup> Mechanisms to facilitate the uptake of power-purchase agreements (PPAs) and reduce the costs of consuming renewable energy for industrial consumers like the green pool should be further promoted across the Union. See [Green Pool Study](#) by Enervis, March 2021

<sup>2</sup> See [our preliminary views and proposed improvements](#) to the Draft Regulation on the introduction of an EU Carbon Border Adjustment Mechanism (CBAM), October 2021



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and especially in countries that provide little or no compensation, we see curtailment of production capacity across the aluminium sector.

We hope you will consider the above actions and kindly request a meeting to further discuss the state of emergency our industry is facing today.

Yours sincerely,

**Gerd Götz**



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#### ANNEX I - EU curtailments

- **France** –The AIP smelter in Dunkerque, the biggest smelter in the EU with an annual capacity of about 285,000 tonnes, cut output by 15%. No direct layoffs are planned, but temporary workers are being sent home. The plant has lost about 20 million euros since the beginning of November, and further curtailments may be necessary (see [here](#) and [here](#)).
- **Germany** - Trimet’s Voerde and Hamburg smelters announced a 30% reduction in the annual capacity of about 70, 000 tonnes per year (see [here](#)).
- **Romania** –Alro (Romania’s sole aluminium smelter) reduced its production by 60% and only 2 out of 5 production units will operate in 2022. Personnel reductions at the aluminium smelter and alumina plant amount to 800 workers. Unions rallied in protest against the decision last week (see [here](#)).
- **The Netherlands** – Aldel, the only producer of primary aluminium in the Netherlands with a capacity of 110,000 tonnes, completely curtailed production since October last year. 100 permanent staff and contractors have been laid off (see [here](#)).
- **Spain** - Alcoa’s San Ciprián aluminium smelter will curtail 228,000 tonnes of annual capacity in the next two years. Alcoa committed to restarting production only in 2024 (see [here](#), Alcoa official press release is accessible [here](#)).
- **Slovenia** - Talum lowered production from its Slovenian smelter to a third from November 1. It produced 114,581 tonnes in 2021 (see [here](#)).
- **Slovakia** – Slovalco announced a 40% curtailment. The plant had already announced a capacity cut to 80% in 2019 because of uncertainty regarding Slovakia’s possible ETS compensation scheme and the European Commission’s delay in the adoption of the revised ETS Guidelines. The new cut corresponds to an annual reduction of 35,000 tonnes of aluminium (see [here](#) and [here](#)). If conditions are not improved, the smelter, which is one of the newest and most efficient in Europe, will shut down permanently.

## ANNEX II - Primary capacity increases in other regions in the world

### North America

- Century aluminium declared restart at Mt Holly smelter
  - The company has been making significant capital investment at the smelter, aimed at boosting its production capacity and creating additional well paid jobs in the region. (Source: [scrapmonster.com](https://www.scrapmonster.com))

### South America

- South32, Alcoa to restart Alumar aluminium smelter in Brazil
  - Australian diversified miner South32 Ltd said it would spend about \$70 million to restart the Alumar aluminium smelter in Brazil with its joint venture partner Alcoa. (Source: [Reuters](#), Alcoa official press release [here](#))
- Argentina's Aluar aluminium smelter to ramp-up to full capacity
  - Argentinian aluminium producer Aluar will restart some operations that were halted last year, in an attempt to return to full capacity usage, after a deal on power supply was reached with the country's government. (Source: [Metal Bulletin](#))

### Australia

- Alcoa Announces Restart Of 35 MTPA Of Capacity At Portland Aluminium
  - Pittsburgh aluminium pioneer Alcoa Corporation announced this week that the Portland aluminium smelter in Australia would soon be restarting 35 thousand metric tons of shuttered aluminium capacity. (Source: [Aluminium Insider](#), Alcoa official press release [here](#))

### Russia

- Russia's Rusal launches production at new aluminium smelter in Siberia
  - Russian aluminium producer Rusal said it had launched production at its long-stalled Taishet aluminium smelter in Siberia. (Source: [Rusal](#))

### Asia

- Iran increases aluminium production by 118k mton y/y and has another 100k mtpy on the way
  - Iran expanded primary aluminum production by about 118k mton or 29% y/y in 2021 to a record-high for the country of roughly 522k mton, up from 404k mton in 2020, as suggested by data from the Iranian Mines and Mining Industries Development and Renovation Organization (IMIDRO). The bulk of primary aluminum production and expansion was in the form of P1020. (Source: Harbor)
- India: Vedanta increases production by 316 kmton, another 414 kmtpy on the way:
  - Vedanta expanded primary aluminum production by 316k mton in 2021, alone offsetting all of Europe's production losses because of high energy prices. Vedanta will expand further in Balco by 414 kmtpy in the coming years and will become ROW's third largest producer.

According to Deeptaman Mukherjee, director of commodities for the aluminium segment of Vedanta, annual primary production in India could reach 5 Mt in five to six years. (Source: Harbor, CRU)

- Indonesia:
  - After the announcement last quarter of a new 2 million ton in Indonesia, Adaro Aluminum now announces another new aluminum smelter in Indonesia at a green industrial park in North Kalimantan. (Source: Harbor)
  - Indonesia Huaqing Aluminum is building the first phase of a new thermal-powered primary aluminum smelter with designed capacity of 2 million (Source: Harbor)
- China:
  - China's primary aluminum production run-rate set to expand by as much as 2 million mton in 2022 and reverse market tightness seen in 2021. China's aluminum market will shift to a balance position in 2022, after averaging an estimated annual deficit of about 550k mtpy in the previous two years (Source: Harbor)

Analysts expect a significant increase in production of primary aluminium in the ROW excluding Western Europe:

Analysts	ROW (ex W. Europe) Increase production in 2022 (kt)
Metal Bulletin	964 3,9%
Harbor	1.208 4,9%
Woodmac	1.482 6,0%