

Since October 2021, Europe has had to close or halt 50% of its primary aluminium production (1.1 million tonnes) due to the sky-rocketing energy prices¹.

This has led to a decrease of the electricity demand of ~16TWh/y. Downstream actors in the aluminium semi-fabrication and recycling sector are equally facing 10 times higher energy costs. These processes heavily rely on gas and have no immediately available substitution options. They will soon be out of business if no solutions are found.

Ahead of the EU Transport and Energy Council on September 9th we call on both European and national policymakers to swiftly implement the following measures for safeguarding our industry:

Short term measures:

- Create an emergency EU fund that would offer urgent relief/mitigate soaring energy prices impact on competitiveness of European energy-intensive industry
- Reduced or capped taxes and surcharges on electricity and gas for energy intensive industries
- Amend article 2 of the [Security of Gas Supply Regulation](#) to include critical industries (as defined under [article 6 of the Council Regulation on coordinated demand reduction measures for gas](#)) in the list of protected consumers.
- Any taxes, claw back, or revenue cap measures must take due account that electricity sold bilaterally should not hinder the signature of long-term power purchase agreements (PPAs)
- Actively promote RES power purchase agreements (PPAs) via:
 - Accelerating building of new RES generation
 - Increasing liquidity for PPAs by incentivizing existing and new generators to offer electricity for this purpose (e.g. through tax incentives, reduced interest rates, green bonds, investment aid conditional on signing PPAs in case of new generation capacity).
 - Incentivising RES plants participating in auctions for state backed PPAs to contract at least 50% of the installed capacity/output through long-term corporate PPAs.
 - Granting state/EU guarantees to foster signing of RES PPAs with energy-intensive industry, as the Nordic scheme or the Spanish FERREI system
 - Addressing firming and shaping costs of RES PPAs, through schemes like the Green Pool²
- Swiftly improve the temporary emergency state aid framework³: The eligibility period should be calculated based on the increase in costs since Q4 2020 and the eligibility requirement to show a negative EBITDA should be removed. The cap for maximum aid for energy-intensive consumers (50 million EUR) should be significantly increased and for decarbonization aid to ETS sectors, it should be clarified that conditionality requirements based on ETS benchmarks should only be applicable in case where there is a defined product benchmark
- Issue EU guidance to Member States encouraging full compensation (indirect costs limited to 1.5% of GVA) of indirect emissions costs of the EU ETS in all Member States
- Ensure EU ETS prices do not contribute to the pressure on the electricity and gas prices – use the Market Stability Reserve (MSR) to address excessive prices
- Temporary solidarity measures addressing the windfall profits during this crisis: funds should be directed towards financing state aid measures providing relief for energy-intensives and incentives for demand response

¹ our [here](#) letter to the European Commission with an overview of capacity increase in other regions of the world, January 2022

² Please find [here](#) the detailed green pool proposal by ENERVIS, March 2021

³ See [here](#) European Aluminium reaction to the RePowerEU Plan, May 2022

Medium term measures:

- Speed up development of new electricity generation capacity and infrastructure
- Energy market measures must include clear provisions encouraging long-term corporate PPAs for carbon free electricity, especially aimed at energy-intensive industries.
- Incentivizing the necessary investments in new power plants, prioritizing security of supply and affordability;
- Any phase-out of traditional power sources must be preceded by the deployment of new dispatchable generation and related storage to ensure a smooth transition and avoid power shortages and volatile prices
- EU ETS prices to be maintained at a bearable level
- Any changes to the market design should be temporary in nature and be coordinated at the European level to avoid market-distorting measures while ensuring affordable energy prices to trade exposed and critical industries.

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