

European Aluminium warns against unintended effects of aluminium inclusion in Commission's EU Carbon Border Adjustment Mechanism proposal

Brussels, 14 July 2021 – Today, the European Commission presented its proposal for an EU Carbon Border Adjustment Mechanism (CBAM) as part of the Fit for 55 package. Supporting the principles of the EU's ambitious decarbonisation roadmap, European Aluminium is concerned about the negative economic and climate impact of including aluminium in the pilot phase. The sector stands ready to work with the European Parliament and the EU Member States towards an alternative, effective carbon leakage mechanism for aluminium.

"Aluminium is a crucial metal for Europe's transition towards a carbon-neutral and circular economy. We support today's climate package aimed to deliver on the EU's higher climate ambition and expect that it will further spur the demand for our circular and lightweight metal. But, we are very concerned by the EU Commission's decision to include aluminium in the initial list of sectors under the proposed Carbon Border Adjustment Mechanism. Both the lack of strengthened carbon leakage protection measures and current CBAM design are not set to tackle the indirect carbon costs that Europe's aluminium sector faces with regard to the EU's electricity market design rules", comments Gerd Götz, Director General of industry association European Aluminium.

The fully electrified nature of aluminium's primary production makes European producers the most exposed to indirect emission carbon costs. In Europe, electricity carbon costs evolve at the regional level due to pricing dynamics in interconnected regional power markets, representing up to 40% of total aluminium production costs. No other material subjected to the CBAM is similarly exposed to the impact of indirect emission carbon costs as aluminium.

"Based on our sector's unique challenges, today's CBAM proposal will not contribute to reducing global CO2 emissions across our sector, but will accelerate the investment and employment leakage trend European industries have experienced over the past decades. There will be cost impacts down the metals value chain, which may generate more, not less carbon leakage", says Gerd Götz. *"At the same time, we're pleased the Commission has recognised its current CBAM design cannot tackle the indirect carbon costs that even low-carbon aluminium producers face in higher electricity prices. By allowing more time to develop adequate solutions, it proves the point that in its current design, the CBAM cannot effectively compensate the indirect emission costs faced by European producers - even if they are using 100% low carbon electricity - compared to their main global competitors (China, Middle East, Russia)",* he added.

Also, the circumvention risk of the proposed mechanism is particularly high for the aluminium value chain, further reducing the level playing field for European aluminium producers. Especially the intention of the European Commission to phase out existing carbon leakage protection measures will heavily impact the competitiveness of the European sector. *"We cannot risk losing an industry that is critical to Europe's green transition, especially when you consider that Europe has already lost 30% of its primary production plants since 2008".* In the aluminium sector, maintaining existing carbon leakage measures until 2030 remains critical to Europe's export competitiveness and fight of reducing carbon emissions globally. *"Climate change cannot afford having Europe's highly sustainable aluminium facilities removed from the market",* underlined Götz.

To allow for adequate protection against further carbon and investment leakage, European Aluminium calls on EU policy-makers to maintain aluminium under the existing carbon leakage framework and to implement the new EU ETS State Aid Guidelines until 2030. *"A gradual or earlier phase-out would not give our sector the long-term regulatory certainty that is required to implement our low-carbon investment plans",* concludes Götz.

With the objective of fighting carbon leakage and bolstering Europe's industrial sovereignty, the European aluminium value chain stressed their commitment to work with the European Commission, EU co-legislators and broader stakeholders to design an effective CBAM for aluminium in the next phase.

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 85+ 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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