

20 June 2022

Since October 2021, the EU has lost 50% of its primary aluminium production - equivalent to 1.1 million tonnes<sup>1</sup> - due to the rising electricity costs.

European production, which is already well below the global average in terms of carbon emissions, was **immediately replaced by carbon-intensive capacity ramp ups in other regions of the world, notably, China, India and Indonesia, and has resulted in global emissions increasing by net 10.3 million tonnes CO2 during the last year.**

## An environmental & economic paradox

Due to the way electricity costs are priced in Europe<sup>2</sup>, the inclusion of indirect emissions in the CBAM would solidify the current energy crisis in our sector and make European aluminium production economically unviable, leading directly to an increase in global CO2 emissions each year, as shown below:

	LOST PRODUCTION IN EUROPE in 2022	ADDED CAPACITY IN 3 <sup>rd</sup> COUNTRIES in 2022
TONNES OF PRIMARY ALUMINIUM	1.1 million tonnes	1.2 million tonnes
IMPACT IN TONNES OF CO2	7.4 million tonnes (6.7 t of CO2/t of aluminium)	19.32 million tonnes (16.1 t of CO2/t of aluminium)
IMPACT OF PRODUCING EU LOST PRODUCTION IN THIRD COUNTRIES (IN TONNES OF CO2)	17.7 million tonnes (1.1 million tonnes of lost EU production *16.1 tonnes of CO2 per tonnes of aluminium emitted on average) per year <sup>3</sup>	
EXTRA EMISSIONS WORLDWIDE	10.3 million tonnes (equivalent to 13% of the EU yearly CO2 reduction) per year	

**Even though in 2022 CO2 emissions will have dropped by 7.4 million tonnes in the EU because of aluminium smelters being curtailed this last year, an extra 10.3 million tonnes of CO2 are being emitted in the rest of the world at the same time.** On average, between 2017 and 2030, the [European Environment Agency](#) estimates the reduction of CO2 in the EU to be 81 million tonnes a year. **Thus, almost 13% of the yearly CO2 reduction efforts of the entire European economy are simply being offset by third countries if the EU primary aluminium production is replaced.**

The report<sup>4</sup> "[Assessment of the effects of the CBAM on the European value chain](#)", conducted by the independent commodity analyst CRU, outlines the risks for our value chain should the CBAM include indirect emissions: costs for aluminium production will rise by 24% to 31%. Primary aluminium imports for semi-fabrication could increase up to 43% and total value add losses up to 77%.

**An immediate inclusion of indirect emissions in the CBAM, without the adequate safeguards and review mechanisms assessing all downstream impacts and circumvention risks, will lead to disproportionately higher electricity prices for EU producers, further replacement of the EU green production capacity and higher levels of CO2 emissions globally!**

<sup>1</sup> See our [letter](#) to the EU Commission on curtailments in Europe and ramp up of production in other regions in the world, January 2022

<sup>2</sup> If a CBAM on indirect emissions replaces indirect cost compensation, it will harm producers' competitiveness. See [here](#) our one pager on CBAM & Indirect emissions.

<sup>3</sup> Explanation: When 1 tonne of aluminium is produced in Europe, 6.7 tonnes of CO2 are emitted. When 1 tonne of aluminium is produced in the rest of the world, 16.1 tonnes of CO2 are emitted. The EU has lost 1.1 million tonnes of its primary aluminium production, equivalent to 7.4 million tonnes of CO2. In parallel, this drop in production is being replaced abroad. Producing the lost EU production in non-EU countries leads to emissions of 17.7 million tonnes of CO2 (1.1Mt of aluminium\*16.1 tonnes of CO2), against 7.4 million tonnes of CO2 (1.1 Mt \*6.7 tonnes of CO2) for the same production in the EU. In total, the replacement of the EU production by third countries<sup>4</sup> will lead to an extra 10.3 million tonnes of CO2 emitted abroad during this last year (17.7Mt-7.4 Mt).

<sup>4</sup> See full CRU Report here: "[Assessment of the effects of the CBAM on the European value chain](#)", May 2022