



# Global Arrangement on Sustainable Aluminium: Together for climate-neutrality & market-based trade

Position paper

August 2022



EUROPEAN ALUMINIUM

Aluminium, anything but basic!

## INTRODUCTION

The European aluminium value chain is committed to a holistic and global approach to producing and offering a truly sustainable product - from low-carbon and circular to responsibly sourced and manufactured aluminium. However, our decarbonisation and sustainability efforts are often undermined by market distortions, primarily caused by China.

European Aluminium and our members are convinced that a competitive global marketplace driven by an ambitious sustainability agenda requires free and fair trade while preventing subsidised aluminium from causing distortions.

### Market distortion in the global aluminium market

Compared to other industries, the global aluminium industry is disproportionally exposed to market distortions. The American and European aluminium industries have identified the issue of subsidised industrial overcapacity in China as the fundamental threat to our industries and national security. In [2019](#) and again in [2021](#), the OECD attested to China's excessive state support of its aluminium companies, including below-market finance, and its damaging impact on global value chains.

To protect the US from state-subsidised market distortion caused by Chinese companies, the US implemented in [2018](#) a broad duty program (Section 232) applicable to all aluminium and steel imports. In September 2021, the duties were converted into a tariff rate quota (TRF) system for European imports. European Aluminium and its US partners [have always demanded the immediate lifting of Section 232 duties for European aluminium exports](#) since they offered no solution to fight China's unfair trade practices. The EU and US value chains called for joint efforts to combat unfair trade practices instead.

### Restoring free trade with the global arrangement on sustainable aluminium and steel

Against this background, the EU and US [announced](#) the intention to establish a Global Arrangement on Sustainable Steel and Aluminium on 31 October 2021. The Arrangement intends to harness trade policy to raise global climate ambitions while at the same time creating a framework for confronting the threats of market distortions in the steel and aluminium industry.

European Aluminium believes the GASA, if designed correctly, can be an excellent platform for deeper cooperation between Europe, the US and other like-minded regions towards reducing global emissions and non-market behaviours by establishing a common approach based on coherence and a level playing field. The GASA can also play an important role in driving decarbonisation efforts while ensuring the competitiveness of industry players.

According to the announcement statement from 31 October, the EU and US seek to conclude their negotiations on the Arrangement by 31 October 2023. European Aluminium considers the permanent removal of the Section 232 tariffs and quota system for European companies to be pivotal for starting negotiations on the implementation of such an Arrangement.

Below, European Aluminium has outlined our five guiding principles for an effective GASA, which we hope to see implemented as soon as possible for the benefit of our planet and industry.

## THE FIVE CORNERSTONES FOR AN EFFECTIVE GLOBAL ARRANGEMENT ON SUSTAINABLE ALUMINIUM

### 1. Creating a fit-for-purpose base for an effective Arrangement

- Due to the fundamentally different market structures and challenges faced by the steel and aluminium industry, European Aluminium is convinced that a Global Arrangement on Sustainable Aluminium (GASA) must be established independently from benchmarks and methodologies applicable to the steel industry.

### 2. Accelerating the path to sustainable aluminium thanks to fair market practices

- The joint fight against global warming is jeopardised by unfair trade practices undermining costly efforts to innovate and decarbonise. Therefore, the GASA must impose trade measures on economies that do not adhere to market economy principles and contribute to subsidised overcapacities in order to create a level playing field.
- Strong trade enforcement and the prevention of circumvention of trade measures are critical to the successful implementation of a fit-for-purpose GASA. Adhering to market economy principles and defending those coherently must be a prerequisite for third countries wishing to join the GASA.
- Europe must take a much stronger stance against unfair trade practices of non-market economies in the aluminium industry, prevent dumped products from entering the Single Market through anti-dumping measures, and ensure a circumvention-proof carbon leakage practice.

The global aluminium industry is disproportionally exposed to market distortions primarily caused by China. Over the past 20 years, for example, aluminium production in China grew from around 10% of the global production to nearly 60%. Much of this growth is driven by massive state subsidies. A 2021 OECD [report](#) examining state subsidies found that Chinese firms received state support ranging from 4% to 7% of annual revenues compared to similar support representing 0.2% of annual revenues of non-Chinese firms, which is a difference of more than 20 times. This massive state support allowed China to build up overcapacities in primary aluminium, semi-fabricated and finished products (rolled products, extrusions and foil).

The environmental impact of these subsidised overcapacities is substantial. China's share of the aluminium industry's total CO<sub>2</sub> emissions grew from 12% in 2000 to 71% in 2021 because of numerous subsidies along the aluminium value chain that encourage GHG-emitting production processes based mainly on fossil fuels. As a result, the average carbon footprint of Chinese primary aluminium production is three times higher than the European average.<sup>1</sup>

Moreover, Chinese producers are increasingly exporting artificially low-priced aluminium products. Their unfair trade practices erode the tremendous economic and social benefits domestic value chains bring and accelerate an alarming trend Europe has been facing over the past years: European deindustrialisation due to unfair price competition, resulting in an increasing import dependency.

---

<sup>1</sup> The carbon intensity of the primary aluminium production in Europe (EU, EFTA, UK) is approximately 6.8kg of CO<sub>2</sub> per kg of aluminium produced compared to a global average of 16.1kg of CO<sub>2</sub> and a Chinese average of 20kg of CO<sub>2</sub>.

## 3. Ensuring the GASA is compatible with the EU decarbonisation instruments

- To ensure a level playing field with Europe's extensive decarbonisation instruments, the GASA should reflect the EU's decarbonisation framework and complement it where necessary.
- To avoid circumvention of European decarbonisation legislation and minimise duplications, the GASA should opt for a harmonised approach with regards to product scope, for example.
- Eventually, the GASA should help establish a decarbonisation framework fit for purpose across GASA partners (climate club model), incentivising decarbonisation champions and promoting innovation.

The European aluminium industry is subject to high direct and indirect carbon costs due to the EU's extensive decarbonisation framework, including the block's Emission Trading Scheme. Despite our sector's low carbon intensity, these carbon costs jeopardise our competitiveness on a global scale. For the GASA to be effective, it must level the high decarbonisation costs of European aluminium producers. In the absence of comparable carbon pricing mechanisms between GASA partners, and where European anti-carbon leakage measures do not apply, European aluminium actors should be financially supported in their decarbonisation efforts.

Generally, the GASA should establish a robust basis for mitigating carbon leakage, apply to a wide scope of products to prevent circumvention, and make it easier for GASA partners to adopt comparable measures and actions to reach the overall aim of reducing carbon emissions worldwide.

## 4. Setting a global benchmark for low-carbon aluminium products

- GASA partners must commit to and have implemented the necessary legislative framework to achieve climate neutrality by mid-century. Countries failing to set the conditions for meeting agreed benchmarks for low-carbon products cannot be eligible for inclusion in the GASA.
- To ensure low-carbon aluminium becomes the norm worldwide, any GASA benchmark must apply to producers throughout the aluminium value chain. Moreover, to avoid resource shuffling, the GASA benchmark cannot be restricted to products sold within the regional scope of the GASA but must apply to the entire aluminium production associated with a GASA partner.

The European aluminium industry takes a holistic approach to sustainability. We understand sustainable aluminium as aluminium that is produced with rigorous processes that respect high environmental, social and governance (ESG) standards considering all steps of the aluminium value chain, from sourcing raw materials to managing end-of-life products. While we wish to see a broad scope of sustainability included in the GASA, we recognise that reducing greenhouse gas emissions globally is a priority given the urgency of the climate crisis.

The European aluminium industry is fully committed to reaching carbon neutrality before 2050. We are well on our way to achieving our ambition through breakthrough innovation, an active stake in accelerating the use of green electricity, efficiency savings, and the benefits of aluminium recycling.

As part of the GASA, we support the development of a robust common methodology to assess the carbon content of products and help decarbonise our value chain on a global scale. Eventually, such methodology must allow for:

- The determination of common benchmarks for low-carbon aluminium products.
- The implementation of certified and transparent accounting and verification rules.
- Consistency with European carbon emissions legislation, including the EU's Emissions Trading Scheme (ETS), which determines the carbon costs of products in Europe. It is important that the common benchmarks do not differ from or contradict other EU carbon benchmarks.
- The implementation of a circumvention-proof mechanism designed to prevent product/resource shuffling and other means of undermining global decarbonisation.

European Aluminium strongly believes that the criteria mentioned above are essential for the good functioning of the GASA, and stands ready to provide support thanks to our long-time expertise in lifecycle analysis and contribution to European environmental footprint legislation.

## 5. Removing trade barriers between GASA partners

- In general, the GASA must serve to protect the principles of fair trade and must prevent unilateral trade measures between GASA partners.
- As a necessary prerequisite for fair and equal trading conditions between like-minded partners, the US Section 232 tariffs for European aluminium exports should be permanently lifted.

If the US and EU join forces to level the global playing field for our industry and take the lead in a global sustainability agenda, tariffs or other measures undermining free trade, such as anti-dumping or other unilateral duties, between market economies are counterproductive. We therefore call for the immediate lifting of the Section 232 tariffs for European products. The tariffs are unjustified and should have been eliminated by the Biden administration. European aluminium exports have never threatened US national security. On the contrary, the trade between our economies is based on long-term, mutually beneficial commercial partnerships between European and US aluminium producers that work together to serve integrated supply chains on both sides of the Atlantic.

**About European Aluminium:** European Aluminium, founded in 1981 and based in Brussels, is the voice of the aluminium value chain in Europe. We actively engage with decision makers and the wider stakeholder community to promote aluminium's strategic role, secure growth, and stress our metal's contribution to meeting Europe's sustainability challenges. We do this through environmental and technical expertise, economic and statistical analysis, scientific research, sharing of best practices, and public affairs and communication activities. Our 100+ members include alumina refiners and primary aluminium producers; downstream manufacturers of extruded, rolled and cast aluminium; aluminium recyclers and national aluminium associations, representing together more than 600 plants and 1 million (direct and indirect) jobs in 30 European countries. Aluminium products are used in a wide range of markets, including mobility, aerospace, transport, clean-tech, building and construction as well as packaging and consumer goods.