

GLOBAL ARRANGEMENT ON SUSTAINABLE STEEL AND ALUMINIUM

Together for Climate-neutrality. Together for restoring market-based trade.

Brussels, November 2023

Position Paper

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 its 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 disproportionately 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 United States (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 (TRQ) system for European imports. European Aluminium [has 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 European Union (EU) and US value chains called for joint efforts to combat unfair trade practices instead.

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

Against this background, the EU and US [announced](#) the intention to establish a Global Arrangement on Sustainable Steel and Aluminium (Global Arrangement) on 31 October 2021. The Global 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 Global Arrangement, 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 Global Arrangement can also play an important role in driving decarbonisation efforts while ensuring the competitiveness of industry players.

The original plan aimed to finalise negotiations by 31 October 2023. However, after the EU-US Summit that took place in October 2023, the negotiating phase was extended by two months. European Aluminium considers the permanent removal of the Section 232 tariffs and TRQs that are currently in place for European companies as an essential point for the negotiations on the implementation of such a Global Arrangement. In this regard, European Aluminium supports any prolongation needed to establish an efficient and robust agreement.

European Aluminium has articulated five guiding principles below for the implementation of an effective Global Arrangement, aspiring to see them enacted promptly for the benefit of our environment and industry.

THE FIVE GUIDING PRINCIPLES FOR AN EFFECTIVE GLOBAL ARRANGEMENT ON SUSTAINABLE ALUMINIUM

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

Due to the fundamentally different market structures and challenges faced by the steel and aluminium industries, European Aluminium is convinced that a Global Arrangement 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 Global Arrangement 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 measures¹ are critical to the successful implementation of a fit-for-purpose Global Arrangement. Adhering to market economy principles and defending those coherently must be a prerequisite for third countries wishing to join the Global Arrangement.
- The EU 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.

¹ For instance, the US has implemented an Aluminium Import Monitoring System (AIMS).



- In recent years, the existing EU Trade Defence Instruments (TDIs)² have proven ineffective in halting the expansion of non-market aluminium capacity in China. They have also been insufficient in maintaining the necessary level of protection for European aluminium industries against Chinese exports of semi-finished and finished products.
- Hence, European Aluminium asserts the necessity of additional measures, such as tariffs, to address this issue. To avoid loopholes and secure a level playing field among members of the Global Arrangement, the level of these additional tariffs must be harmonised.
- Additionally, European Aluminium advocates for the reinforcement and a more proactive and assertive implementation of existing EU TDIs, including the initiation of ex officio cases³ by the European Commission.

The global aluminium industry is disproportionately 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 non-market behaviour and massive State subsidies which resulted in overcapacities. The 2021 OECD [report](#) on State subsidies revealed a substantial disparity in support for Chinese firms, ranging from 4% to 7% of annual revenues. In contrast, non-Chinese firms received similar support representing only 0.2% of their annual revenues, marking a difference of more than 20 times. This extensive State support enabled China to build up large primary aluminium capacities, semi-fabricated and finished products (i.e., rolled products, extrusions and foil) at a cost level not in accordance with normal level of capital expenditures and sound market principles.

The environmental impact of these subsidised production capacities is substantial. China's share of the aluminium industry's total CO₂ 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 (i.e., coal-fired power plants). As a result, the average carbon footprint of Chinese primary aluminium production is three times higher than the European average.⁴

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.

² Anti-dumping (AD), anti-subsidy (AS) and safeguards.

³ Please see AS689 initiated on 4 October 2023 by the European Commission against imports of BEV from China.

⁴ The carbon intensity of the primary aluminium production in Europe (EU, EFTA, UK) is approximately 6.8kg of CO₂ per kg of aluminium produced compared to a global average of 16.1kg of CO₂ and a Chinese average of 20kg of CO₂.



3. Ensuring the Global Arrangement is compatible with the EU CBAM & ETS

- To ensure a level playing field in the production cost of aluminium within Global Arrangement partners, Europe's extensive decarbonisation instruments must be reflected in the Global Arrangement framework and, where necessary, adjusted.
- For instance, an exemption from EU Carbon Border Adjustment Mechanism (CBAM) among Global Arrangement members should only apply if an explicit and equivalent carbon price with the same level of compliance requirements and costs like the one applied to European producers under the EU Emissions Trading System (EU ETS) is paid in the country of origin. Moreover, the Global Arrangement should be aligned with the gradual approach of CBAM, covering the same products and initially only direct emissions.
- To avoid circumvention of European decarbonisation legislation and minimise duplications, the Global Arrangement should opt for a harmonised approach with regards to product scope, for example.
- Eventually, the Global Arrangement should help establish a decarbonisation framework fit-for-purpose across the Global Arrangement partners (climate club model), incentivising decarbonisation champions and promoting innovation.

The European aluminium industry is subject to high direct and indirect carbon costs passed on into the electricity price due to the EU's ETS⁵. Despite our sector's low carbon intensity, these carbon costs jeopardise our competitiveness on a global scale⁶. For the Global Arrangement to be effective, it must level the high decarbonisation costs of European aluminium producers. In the absence of comparable carbon pricing mechanisms between the Global Arrangement partners, European aluminium actors should be financially supported in their decarbonisation efforts to ensure a global level playing field. This is because the cost of producing aluminium in Europe will massively increase once the CBAM will be fully in place. For this purpose, existing carbon leakage protection measures (e.g., free allocation and ETS indirect cost compensation under EU state aid rules) should not be phased out for installations part of the Global Arrangement if an explicit and equivalent carbon price system like the ETS is not applied to all parties of the arrangement.

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

⁵ See [here](#) and [here](#) an explanation about why only European low carbon aluminium producers face indirect carbon costs in the power price.

⁶ See [here](#) CRU's study explaining why a CBAM on indirect emissions will harm European producers and [here](#) on our website (CBAM section) our position papers.



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

- The Global Arrangement 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 Global Arrangement.
- To ensure low-carbon aluminium becomes the norm worldwide, any Global Arrangement benchmark must apply to producers throughout the aluminium value chain. Moreover, to avoid resource shuffling, the Global Arrangement benchmark cannot be restricted to products sold within the regional scope of the Global Arrangement but must apply to the entire aluminium production associated with a Global Arrangement partner.
- European Aluminium believes that once approved by the EU and US, the Global Arrangement should be open immediately to other like-minded partners, such as European Free Trade Agreement (EFTA)⁷ countries. EFTA countries share a strong connection with the EU aluminium industry, seamlessly integrated into the EU aluminium value chain. Notably, in primary and semi-production, several companies operating in EFTA (e.g., Switzerland, Norway and Iceland) also operate in EU countries (e.g., Germany, France, Slovakia, Spain). Moreover, their geographical proximity has naturally positioned EFTA countries as longstanding partners to the EU aluminium industry. Finally, EFTA countries already boast a low carbon primary aluminium production and apply the EU ETS system.

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 Global Arrangement, 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 Global Arrangement, 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.

⁷ Iceland, Liechtenstein, Norway, Switzerland.



- 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 Global Arrangement 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 Global Arrangement partners

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

Additionally, the current use of TDIs between EU and US as Global Arrangement partners is clearly imbalanced⁸. 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 that impede free trade, such as anti-dumping or other unilateral duties, between market economies would become counterproductive.

In view of the above, European Aluminium calls for the immediate lifting of the Section 232 tariffs on European products. These tariffs are unjustified and were expected to be eliminated long ago by the Biden administration. European aluminium exports pose no threat to the US national security. On the contrary, the trade relationship 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.

⁸ In 2021, the US imposed AD duties on aluminium sheets against several EU countries. More recently, in 2023, it initiated an AD investigation on aluminium extrusions against Italy. In contrast, the EU has not implemented any trade defense measures related to aluminium products against the US.

