



OUR POLICY RECOMMENDATIONS FOR AN AMBITIOUS CLEAN INDUSTRIAL DEAL AND METALS ACTION PLAN

Brussels, December 2024

Position Paper

European Aluminium – the association representing the entire aluminium value chain in Europe - calls for the new Commission to implement an effective and growth-oriented Clean Industrial Deal and Metals Action Plan to enable our sector to swiftly decarbonise and reverse the current deindustrialisation trend. As a strategic raw material, we urge policymakers to propose concrete measures to enable our sector to succeed in its decarbonisation pathway and improve Europe’s competitiveness.

The European aluminium sector accounts for one of the **lowest carbon footprints in the world**, with only 6.3 kg of CO₂eq per kg of primary aluminium – around 60% lower than the world average - and 0.5 kg of CO₂eq per kg of recycled aluminium. Aluminium is defined as a **strategic raw material for the European economy and society because of its indispensable role in aerospace and defence applications, electric vehicles, digital technologies and the overall EU green transition**. Renewable energy technologies, such as solar panels, wind turbines, batteries, heat pumps, and the electric grid, all require aluminium. Studies show that a 30% growth in aluminium demand is expected by 2040 due to the EU green transition alone.¹

To meet its sustainability objectives and strengthen its strategic resilience, Europe must **boost its primary and secondary aluminium production**.

The viability of the European aluminium industry is severely threatened by **skyrocketing energy prices, Chinese state-sponsored overcapacity, a CBAM likely unsuitable to prevent carbon leakage, and insufficient public support to help our industry decarbonise and prosper in Europe**. Failing to adopt the right policy measures in this new mandate would have a catastrophic impact on the European aluminium industry.

European Aluminium urges policymakers to consider the following sections outlining **six key policy recommendations** vital for improving the sector's competitive position and integrating them in the upcoming **Clean Industrial Deal and Metals Action Plan**. In this framework, considering the unique challenges and opportunities we face, we also call for a dedicated **Aluminium Action Plan** to ensure that our industry remains a pillar of Europe’s green and industrial future.

¹ See [Eurometaux, Metals for Clean Energy: Pathways to solving Europe’s raw materials challenge](#)

Our six key policy recommendations include:

- **Lower energy costs and boost access to cost-competitive decarbonised energy;**
- **Support the aluminium industry's efforts to decarbonise;**
- **Ensure an effective EU carbon leakage protection framework;**
- **Ensure a robust EU critical raw material strategy and create a functioning circular single market;**
- **Adopt a more assertive trade defence policy while aligning the EU industrial and trade strategies;**
- **Reduce the administrative and reporting burden while advancing our sustainability goals.**

Lower Energy Costs and boost access to cost-competitive decarbonised energy

The European aluminium industry historically faces significantly higher energy costs than its international competitors. The energy crisis that followed the Russian invasion of Ukraine further exacerbated the situation, with electricity prices quadrupling from 580 €/tonne to over 2,000 €/tonne². Our plants were shut down, idled, or curtailed, with EU primary production falling from 2 million to 1 million tonnes.

Energy prices have now decreased. However, electricity and gas prices remain between 2 to 3 and 4 to 5 times higher than in the US, respectively.

Securing lower energy prices for energy-intensive industries like aluminium is critical to revamping European industrial competitiveness. To do this, the Clean Industrial Deal should include measures to:

- **Facilitate the scaling up and deployment of renewables and low carbon energy assets** by simplifying permitting procedures, addressing infrastructure bottlenecks and adding interconnector capacity;
- **Remove barriers to Power Purchase Agreements (PPAs)** and carefully balance them with new Contracts for Difference (CfDs) to ensure predictability and encourage investments in clean energy assets;
- **Develop new innovative solutions under national state aid or other mechanisms** to reduce the costs of matching baseload industrial profiles when consuming energy from intermittent renewable energy sources³. These measures should be compatible with existing market rules, targeted, temporary in nature and not encourage the production of non-renewable energy sources;⁴
- Encourage EU Member States to **develop a stronger demand response and flexibility schemes for industry** while keeping them voluntary and sector specific;
- Further develop Draghi's proposals on **targeted cost relief for energy intensive sectors and allocating a share of CfDs revenues to facilitate PPAs** in industry at production cost and mark-up, thereby disconnecting their remuneration from fossil energy sources;
- **Maintain the reduction of electricity surcharges and levies** for energy intensive industries allowed under the State Aid Guidelines on Climate, Energy and Environment (CEEAG) and expand their scope to

² For an aluminium producer consuming 14.5 MWh per tonne of aluminium produced, electricity prices will have quadrupled from 580 €/tonne to over 2,000 €/tonne: more than 80% of today's LME sales price for aluminium, which is itself at a six-year high.

³ See [Eurometaux, Sourcing Renewable Energy & Non Ferrous Metals, p. 7 - Report](#)

⁴ See [Antwerp Dialogue on Industrial Electrification & Competitiveness Recommendations](#); [Enervis, March 2021, The Green Pool – A concept for decarbonizing the electro-intensive industry of Greece](#)

future grid costs and capacity mechanisms, as well as other future decarbonisation schemes (e.g., energy storage) - see also section on State Aid;

- **Maintain the existing ETS indirect cost compensation scheme beyond 2030** and work with EU Member States to **ensure sufficient financial resources are allocated to protect exposed industries from carbon leakage** - see also section on State Aid.

Support the Aluminium Industry's Efforts to Decarbonise

While our international competitors benefit from substantial subsidies—such as the Inflation Reduction Act (IRA) in the United States or significant investments in decarbonisation in Canada—the European aluminium industry does not enjoy comparable support. However, as a hard-to-abate (HtA) sector, our industry requires massive investments in the transformation of assets and processes to decarbonise. In our Decarbonisation Pathways report⁵, we estimated that only to deploy the decarbonisation technologies to meet the 2050 climate target, the European aluminium industry will need €33 billion. This excludes R&D costs and the investment for the ancillary infrastructure and additional capacity: public and private capital support is essential to remain competitive.

To facilitate decarbonisation, the Clean Industrial Deal, and especially the Industrial Decarbonisation Accelerator Act, should:

- Mandate **EU Member States to plan energy supply and demand for industrial consumers as part of their National Climate and Energy Plans (NECPs)**. Today's electricity prices and supply uncertainty limit companies' ability to undertake a baseline cost assessment to drive decarbonisation.
- **Channel investments** by providing additional financial instruments, e.g., via the new EU Competitiveness Fund, IPCEI, EIB, etc. In addition, the EU ETS Innovation Fund must support not only first-of-a-kind technologies but also their scale-up (both in terms of OPEX and CAPEX). More financial resources should be allocated, and all aluminium production processes along the value chain should be eligible.
- Align with **an effective reform of the State Aid framework**, including funding for innovative breakthrough technologies;
- **Integrate resilience criteria when developing new policies to promote lead markets** for low-carbon and circular aluminium products;
- **Simplify existing state aid rules to provide financial support** for industrial electrification, decarbonisation and circularity covering both OPEX and CAPEX;
- Allow for timely and effective **implementation of the Net Zero Industry Act (NZIA) and Critical Raw Materials Act (CRMA)**.

⁵ See [European Aluminium, Net-Zero by 2050: Science-based Decarbonisation Pathways for the European Aluminium Industry](#)

Ensure an effective EU Carbon Leakage Protection Framework

a. Carbon Border Adjustment Mechanism (CBAM)

CBAM must be properly designed to be effective in avoiding carbon leakage. In its current form, **CBAM is not a suitable carbon leakage instrument for the aluminium value chain in Europe. It leads to inflated metal costs for the downstream aluminium sector, independent of the emissions embedded or not in the respective metal.** As stated in the Draghi report⁶, it presents **high risks of circumvention.** Additionally, **its effectiveness is uncertain** due to a fragmented implementation system mandated to Member States, a complicated design and its strong reliance on international cooperation.

To remain competitive vis à vis our international competitors that do not face any carbon cost, **it is essential that the Clean Industrial Deal aligns with an effective reform of CBAM during its implementation phase,** which should envisage:

- **Indirect emissions remaining out of the CBAM scope** until the product scope is expanded and the electricity grid is fully decarbonised – which is unlikely to happen before 2035;
- **Expanding the product scope to downstream products** containing or made entirely of aluminium to avoid circumvention;
- **The immediate inclusion in the scope of competing materials to aluminium** – such as copper, paper or plastics - to avoid distortions of competition between CBAM & non-CBAM products;
- **A solution to level the playing field for exports and prevent third-country importers from preferring non-EU products** due to their lower price - given that non-EU exporters do not bear equivalent carbon cost;
- **Measures to address all possible circumvention risks and loopholes**, including resource shuffling. This can be achieved by (i) prohibiting the use of Renewable Energy Certificates - such as the Guarantees of Origin (GoOs) - to report indirect emissions in imported aluminium CBAM products, (ii) ensuring that emissions from precursors are attributed to the entire production of the respective manufacturing site rather than allowing the selective attribution of low-carbon precursors to products intended for Europe, (iii) calculating the CBAM for goods originating from non-market economies based solely on default values, without considering actual values or recycled content, (iv) addressing the concerns related to leveraging the “secondary production” route, maximising the allocation of scrap from third countries - bearing no carbon cost – to products exported to Europe, thus reducing declared emissions and leading to imported goods avoiding the carbon costs faced by goods in the ETS area, and (v) introducing mandatory checks of CBAM reports;
- A cautious **implementation and regular assessment of CBAM** through close monitoring of each implementation step to avoid unintended consequences such as increased carbon leakage due to higher costs for European companies and consumers, as recommended by the Draghi report;
- **A simplification of reporting rules** during the transitional period for European producers of precursors of EU/EFTA origin in imported CBAM goods who are facing unintended double-reporting requirements⁷⁸.

⁶ See [Mario Draghi, The future of European competitiveness Part B | In-depth analysis and recommendations, p. 103-104](#)

⁷ See [2024-02-06 European Aluminium letter to DG TAXUD on CBAM double reporting taxation concerns](#)

⁸ See [European Aluminium, 2024-11-26 Towards A Fair & Effective CBAM: Key Recommendations for a Competitive European Aluminium Industry – Position Paper](#)

b. ETS and State Aid

CBAM is not sufficient to protect the entire aluminium value chain. As an energy-intensive and price-taker sector, the ETS Free Allocation and indirect cost compensation under the EU State Aid rules are crucial. Accordingly, among the few aluminium smelters still operating in Europe, almost all are in a country with a national compensation scheme. **Maintaining and strengthening these carbon leakage protection measures is vital for the aluminium industry to remain competitive.**

Therefore, **while the CBAM for aluminium imports should focus solely on direct emissions, the ETS indirect cost compensation system must remain in place beyond 2030** and be fully used by governments to protect electro-intensive industries from carbon leakage. In line with the recommendations of the Draghi Report, **the phase-out of free allocation should be reconsidered** if the CBAM does not prove to be an effective carbon leakage and emission reduction measure.⁹

On the EU ETS, the EU Commission should design separate ETS Product Benchmarks for alumina refining and aluminium recycling. Currently, these two value chain processes both fall under the non-sector specific ETS heat & fuel consumption benchmark. Introducing these two new ETS Product benchmarks is urgently needed. Otherwise, the EU's objective to increase the resilience of the Union's supply chains of critical and strategic raw materials and accelerate the shift towards a more circular and low-carbon industry will be undermined¹⁰.

Finally, **the ETS post 2030 should introduce compliance flexibility, including the possibility to use Permanent Carbon Dioxide Removal (CDR) technologies once the EU's certification schemes and registry are established.** A too-late integration of CDRs in the EU ETS could lead to high price volatility and CO2 prices, leading to a further liquidity crisis in the carbon market.

With regards to EU State Aid policy, it will be key to:

- **Maintain the reduction of electricity surcharges and levies for Energy Intensive Industries** allowed under the State Aid Guidelines on Climate, Energy and Environment (CEEAG) and **expand their scope** to future grid costs and capacity mechanisms, as well as other future decarbonisation schemes (e.g. energy storage).
- **Extend the European Contracts for Difference Scheme**, currently designed for the production of Renewable Hydrogen and financed by the ETS Innovation Fund (e.g. EU Hydrogen Bank), **to industrial decarbonisation technologies and electricity decarbonisation** applicable to the aluminium value chain. Inspiration could be taken from the German scheme launched in March 2024, currently limited to the glass, paper, steel, and cement industries.¹¹ The scope for CCFD should also be extended to BECCS and DACCS as they will play an important role as a mitigation instrument for residual emissions.
- In view of the implementation of ETS II and its gradual application, the EU Commission should **facilitate and exchange with EU Member States and industry** to design carbon leakage protection measures for small industrial installations. Some schemes are already being designed in EU Member States, which could undermine the level-playing field in the EU. ETS II will reduce the competitiveness of European small recycling and transformation plants currently not covered under ETS I (above the 20MW threshold), and carbon leakage protection measures will be key.

⁹ See above

¹⁰ See [European Aluminium, ETS Free Allocation Rules \(FAR\) Review – Response to public consultation](#)

¹¹ See [German Federal Ministry for Economic Affairs and Climate Action, First round of carbon contracts for difference launched – Press Release](#)

Ensure a robust EU Critical Raw Material Strategy and create a functioning Circular Single Market

a. Implementing existing legislation and adopting a forward-looking EU Strategic Raw Materials Strategy

As previously mentioned, aluminium is a strategic raw material for the EU green transition, with demand projected to grow by 30% by 2040.

To enhance our domestic production, we need a swift and timely **implementation of the Critical Raw Material Act (CRMA)**. We urge a fast adoption and deployment of Strategic Projects, alongside monitoring value chain risks and ensuring Member States adopt the relevant legislation to apply non-price criteria in public procurement and renewable energy auctions, also building on the recent resilience criterion introduced by the EU Commission in the terms and conditions of the Hydrogen Bank's second renewable hydrogen auction¹². Additionally, the **complementarity between the CRMA and the Net Zero Industry Act (NZIA) is essential to developing a solid, clean technology value chain in Europe**. Moreover, as suggested in the Draghi report, the Clean Industrial Deal should include a comprehensive **EU Raw Materials Strategy**¹³ to support the aluminium value chain from mining to recycling by **boosting investments through existing and new financing mechanisms**. Building on the above section "Support the Aluminium Industry's Efforts to Decarbonise" a few ideas for consideration should include:

- **A Raw Materials Fund** to directly fund the whole European raw materials value chain. The **InvestEU fund** can also be further developed and used as a derisking mechanism for channelling investments;
- **The European Investment Bank** to enhance lending in the form of debt finance and loan guarantees to derisk and crowd in investments in strategic and critical raw materials in Europe – also via a dedicated lending platform;
- **State Aid** support to facilitate private investments for projects that focus on the EU sovereignty in raw materials production and circular economy;
- **The European Raw Materials Alliance** to further pool public and private investments towards the European raw materials industry;

b. A Single Market for Circularity and Secondary Raw Materials that boldly addresses Scrap Leakage from Europe

Transitioning to a circular economy and boosting aluminium recycling is increasingly important to fill the European demand for raw materials, while lowering carbon emissions¹⁴. For example, **recycled aluminium only requires 5% of the energy needed to produce primary aluminium**. It also enhances economic value by creating domestic jobs and preventing valuable materials from being downcycled into products of lower value or landfilled. Especially for critical and strategic materials essential to the energy transition, such as aluminium, recycling plays a key role in ensuring reliable sourcing of this material to meet the growing demand.

¹² See [European Commission, Innovation Fund IF24 Auction Terms and Conditions, p.7](#): projects have to limit the sourcing of electrolyser stacks with surface treatment or cell unit production or stack assembly carried out in China to not more than 25% (in MWe) to fulfil this criterion.

¹³ See [European Aluminium, Critical Raw Materials Act consultation – Position Paper](#)

¹⁴ See [International Aluminium, Aluminium recycling saves up 95% of the energy needed for primary production](#)

The continuous increase in exports outside the EU of secondary raw materials, such as aluminium scrap, is a missed opportunity for Europe's decarbonisation, strategic autonomy, and competitiveness ambitions. For Europe, a continent starved for raw materials and energy, boosting domestic recycling of aluminium presents a win-win situation by saving scarce resources and energy.

To do so, it is essential to explore all possible measures to create a long-term strategy for the availability of quantities and qualities of secondary raw materials in Europe.

Building on Letta's and Draghi's Reports, we fully support the creation of a true Circular Single Market in Europe. To do so, the new **Circular Economy Act**, embedded in the Clean Industrial Deal, should:

- **Adopt bold measures to address scrap leakage in Europe:** In recent years, a growing percentage of aluminium scrap has been exported outside the EU. After a peak of 1.2 million tonnes exported in 2023, European scrap exports further increased by 15% in July 2024¹⁵.

The measures adopted so far at the EU level (e.g., provisions included in the Waste Shipment Regulation (WSR) and the CRMA) and at the national level (e.g., the Italian monitoring system on scrap export outside the EU) are insufficient to ensure the required scrap supply.

European Aluminium calls policymakers to take decisive actions **to address this vital need** by:

- **Limiting scrap exports to third countries** by imposing export restrictions and implementing reciprocal measures to restrict the export of critical raw material waste to third countries that have imposed their export restrictions on critical raw materials, as suggested in the Draghi report;
 - **Considering using the Foreign Subsidies Regulation** to restrict exports of aluminium scrap to third countries' purchasers benefitting from subsidies;
 - **Adopting a more coordinated monitoring system at the EU level;**
 - **Swiftly implementing and strengthening the monitoring criteria adopted under the CRMA and the WSR;**
- Ensure that the **Circular Economy provisions under Art. 26 of the CRMA**¹⁶ are consistently implemented among Member States;

In this regard, the upcoming Metal Plan should prohibit exports of material that can be considered feeding material for recycling, especially when these resources are listed as critical raw materials, based on Art. XX of the GATT.

- Improve the **collection, sorting, and pre-treatment infrastructure** to support the recovery of strategic and critical raw materials and achieve higher-quality recycling from waste streams such as vehicle end-of-life (**ELVs**).
- Explore **existing and new policy options to boost aluminium recycling** in Europe and create a **long-term strategy for the availability and quality of secondary raw materials**.

¹⁵ Own analysis based on Eurostat data

¹⁶ See [Regulation \(Eu\) 2024/1252 Of The European Parliament And Of The Council establishing a framework for ensuring a secure and sustainable supply of critical raw materials and amending Regulations \(EU\) No 168/2013, \(EU\) 2018/858, \(EU\) 2018/1724 and \(EU\) 2019/1020](#)

Adopt a more assertive Trade Defence policy while aligning the EU Industrial and Trade Strategies

a. A More Assertive Trade Defence Stance

Unfair market practices, particularly from China, severely undermine the European aluminium industry. For years, the Chinese Government has been subsidising its aluminium industry, yielding massive state-sponsored overcapacity across the entire value chain. While Europe has lost half of its primary smelting production following the recent energy crisis, primary production in China has surged from 8% in 2000 to 59% in 2023, fuelling the production of cheap semi-transformation (e.g., rolling, extrusions) and final products using aluminium that depress global and regional prices.

In figures, overcapacity in the Chinese aluminium metal supply (i.e., primary and recycling) and semi-transformation (e.g., rolling and extrusions) sectors accounts for 17 and 20 million tonnes, respectively, i.e., up to three times EU total demand.

Current EU trade measures¹⁷ have proved insufficient to shield the aluminium industry. Therefore, action to level the playing field and re-establish a fair market is urgent and necessary. We call for the EU Clean Industrial Deal and the Metals Action Plan to include measures to:

- **Boost EU trade defence instruments¹⁸:**

Although the EU is the third largest user of Trade Defence Instruments (TDIs) after the US and India, it has not yet employed the existing TDI law at its full potential. As a result, these measures did not restore the level playing field among EU industries and its increasingly aggressive international competitors.

- **Practice changes in DG Trade's application of the existing TDI rules**, such as:
 - **Initiating ex-officio investigations** under special conditions (for example, when other countries have already imposed duties on the same product originating in the same country or when duties have already been imposed on other products of the value chain);
 - **Delivering higher dumping and injury margins** by amending calculation rules to be more in line with other like-minded countries such as Canada and the United States. For example, the Commission second-guesses the values of the factors found in the representative countries or international markets; the absence of a minimum profit margin when Normal Value is constructed; the absence of an evaluation of the need to not apply the dumping margin etc.;
 - **Better monitoring trade patterns to determine if there is circumvention or absorption** and opening ex-officio investigations to counter such practices. Moreover, OLAF's greater engagement and a strong connection between DG TRADE and DG TAXUD are recommended to ensure the effectiveness of the measures and protect the Union budget;
 - **Reducing the requirements needed for the expiry reviews.**
- **Changes to the EU TDI law, not requiring a change in WTO law**, such as:

¹⁷(i) Anti-dumping duties on Chinese flat rolled products ([AD668](#)), (ii) anti-dumping duties on Chinese extrusions ([AD664](#))

¹⁸ See [AEGIS Europe, Third AEGIS Europe Report on the EU's Trade Defence Instruments](#)

- **Removing the lesser duty rule**, which requires the EU industry to absorb the injury caused by the first dumping by exporters - as the WTO law does not require it.
 - **Improving the anti-circumvention provisions** by amending Art. 13 of the basic Regulation to (i) enhance the cooperation among EU authorities, (ii) soften the requirements to demonstrate the change in the trade pattern (especially when there is evidence from other EU entities such as OLAF and national customs authorities of active steps by traders to circumvent measures) and (iii) introduce punitive sanctions.
 - **Abolishing the Market Economy Treatment (MET)** in expiry reviews.
- **Adopt a tariffication regime on non-market economies that fuel state-sponsored overcapacity:**
 - Trade defence entails surgical measures affecting single products. To tackle state-sponsored overcapacity – a systemic threat that impacts the entire value chain - European Aluminium urges the EU to adopt a tariffication regime, as suggested by the Draghi report for industries exposed to unfair market competition (e.g., China).

b. Ensuring alignment between the EU Industrial Strategy and the EU Trade Agenda

European Aluminium supports the EU efforts to boost trade ties with strategic partners through Free Trade Agreements (FTAs). However, the EU trade agenda must be aligned with the EU's overall industrial strategy and the need to boost European competitiveness. Therefore, **a sectorial approach is required when negotiating FTAs to preserve strategic European industries, such as aluminium, especially when exposed to unfair market practices**, by either not removing tariffs or foreseeing their gradual phasing out. Additionally, the proposed **Clean and Trade Investment Partnerships**, aimed at securing raw material supplies, should differentiate between materials that must be sourced outside Europe due to the absence of a domestic industrial base and those that can be procured within Europe. Priority should be given to strengthening and expanding European production where it already exists.

Reduce the Administrative and Reporting Burden while Advancing Our Sustainability Goals

Tackling the EU regulatory burden is fundamental to reigniting our sector's competitiveness. While we support the objectives of initiatives such as the CSRD, CS3D and Forced Labour, they must be framed so as not to discourage business and investments in Europe. With this in mind, the EU Clean Industrial Deal must provide measures to facilitate the implementation of such initiatives while aiming to reduce the overall paperwork and administrative burden that significantly affects the day to day management of our businesses. Accordingly, in line with the recent [Budapest Declaration](#) signed by the Member States, echoed by President von der Leyen, we support and encourage a "simplification revolution" in terms of drastically reducing administrative, regulatory and reporting burdens. Unnecessary sustainability reporting should be avoided, thus allowing companies to focus their efforts and resources on maintaining and further improving their actual sustainability performance.

Conclusions

Aluminium faces a critical juncture. Due to the current market situation and the abovementioned challenges, the EU risks **losing a critical and strategic industry**, if effective policy actions are not rapidly implemented.

European Aluminium urges the new European Commission to take decisive actions in the EU Clean Industrial Deal and Metals Action Plan, and develop an Aluminium Action Plan that will prevent the industry from disappearing.

Decarbonisation presents a significant opportunity for growth. Yet, energy-intensive industries like ours have long lacked the support needed to transition effectively. It is time for policymakers to champion the European aluminium industry, recognising that a strong and sustainable industrial base is essential for the EU's prosperity and future resilience.