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TO: Ms Ursula von der Leyen, Ms. Teresa Ribera, Commissioner for Clean, Just and Competitive Transition**;** Mr. Stéphane Séjourné, Commissioner for Prosperity and Industrial Strategy**;** Mr. Wopke Hoekstra, Commissioner for Climate, Net Zero and Clean Growth; Ms. Jessika Roswall, Commissioner for Environment, Water Resilience and a Competitive Circular Economy

CC: Ms Ilze Juhansone, Secretary General; Mr Kurt Vandenberghe, Director General for DG CLIMA; Mr Patrick Child, Director General for DG ENVIRONMENT; Ms Kerstin Jorna, Director General for DG GROW; Vesa Terävä (SG D 2); Heiko KUNST, Head of Unit - ETS (II): Implementation, Policy Support & ETS Registry (CLIMA.B.2); Emmanuelle Maire, Head of Unit, Circular Economy, Sustainable Production & Consumption (ENV.B.1); Joan Canton, Head of Unit - Raw Materials, Energy Intensive Industries (GROW.I.1)

Subject: Urgent need for fair revision of ETS benchmarks to ensure the aluminium industry's circularity and competitiveness goals

18 June 2025, Brussels

Dear President of the European Commission,
Executive Vice-Presidents,
Commissioners,
Director Generals,

On behalf of European Aluminium, representing over 100 members across the aluminium value chain, I write to express our concern about the lack of a dedicated ETS product benchmark for aluminium recycling in the upcoming 2026–2030 ETS benchmarks review.

We welcome the European Commission's efforts—such as the Clean Industrial Deal, the Critical Raw Materials Act, and the Steel and Metals Action Plan—to promote strategic autonomy and decarbonisation. **However, without a dedicated benchmark for aluminium recycling, these goals will be fatally undermined. The current fallback benchmarks unfairly penalise recyclers, creating a serious carbon leakage risk and discouraging energy efficiency.** Furthermore, the recently announced US decision to double the Section 232 tariffs on aluminium imports from 25% to 50% also makes the situation worse as it doesn't include aluminium scrap (US scrap imports are subjected to the lower 10% duty applied under the USA's reciprocal tariffs), therefore making it impossible to retain recycled aluminium in Europe as the US is expected to increase their imports of this strategic material. Without urgent action, Europe's aluminium recyclers will soon be forced to cease operating, due to lack of access to the necessary scrap.

Under Article 30 of the CBAM Regulation (EU) 2023/956 the Commission is tasked with monitoring carbon leakage risks. Furthermore, in the last revision of the ETS Directive, Article 10a revising the Free Allocation Rules (FAR) was amended to ensure the climate mitigation potential of recycling would also be taken into account in the Benchmarks review process[1].

[1] See Article 10a of the revised ETS Directive 2003/87/EC [link]

European Aluminium
Avenue des Nerviens, 85
1040 Brussels – Belgium

Twitter : EU_Aluminium
LinkedIn : european-aluminium-association
Youtube : EuroAluAssoc

info@european-aluminium.eu
www.european-aluminium.eu

These provisions were regrettably ignored during the design of the revised FAR, despite the European Aluminium industry's expressed concerns during the consultation process on the expected cost pressure on aluminium recyclers and growing fierce competition from third country producers[2].

Therefore, the lack of a dedicated product benchmark for aluminium recycling is at odds with the EU's stated policy objectives under the Clean Industrial Deal, Steel and Metals Action plan and recent changes to the ETS Directive.
By establishing a new product benchmark for aluminium recycling, we would be able to both increase the Union's resilience by decreasing import dependency while also reducing CO2 emissions.

Below we explain in more detail why swift action is needed.

Why aluminium recycling urgently needs an ETS product benchmark

Aluminium recycling today falls under the non-sector specific ETS heat and fuel consumption benchmarks[3] ("fall-back"). These benchmarks are derived from installation data collected across a wide variety of sectors (e.g., food processing, chemicals, ceramics), with different production processes, abatement potential and available technologies. The installations used as reference are often small-scale facilities, which compared to aluminium secondary production, require very low combustion temperature ranges for their industrial processes. Because of this, the expected reduction of the benchmarks will be of 34%[4], as they will be set by installations consuming biomass.

This leads to an enormous carbon leakage risk for European secondary aluminium producers because:

- It is not technically feasible to use biomass for aluminium recycling, due to the high temperatures needed remelting and refining scrap;
- Aluminium recycling installations do not benefit from a uniform biomass distribution across the Union;
- Fall-back benchmark disincentivise investment in energy efficiency as it is related to energy consumption and not to the quantity of finished product. As a result, an installation that invests in efficiency and reduces its CO_2 emissions may receive fewer allowances;
- The 34% reduction of the benchmark will come on top of the annual reduction of free allowances foreseen by the introduction of the EU's Carbon Border Adjustment Mechanism (CBAM)[5] and increased raw material costs for aluminium recyclers[6].

Instead, by introducing a dedicated product benchmark for aluminium recycling, allocation will become proportional to production: the more efficient the installation (i.e., the less energy used per unit of output), the greater the economic benefit in terms of ETS allowances. This is a fairer allowances attribution and a way to incentivise recycling and therefore resilience and industrial decarbonisation in Europe.

[2] European Aluminium, "ETS FREE ALLOCATION RULES (FAR) REVIEW", December 2023 [link]
[3] See Implementing Regulation (EU)2021/447 of 12 March 2021 determining revised benchmark values for free allocation of emission allowances for the period from 2021 to 2025 pursuant to Article 10a(2) of Directive 2003/87/EC [link]
[4] See Carbon Pulse Article "The market impact of the new EU ETS compliance cycle », August 2023 [link]
[5] According to Article 10a(1) of the ETS Directive 2003/87/EC [link], free allocation to installations producing CBAM goods will be reduced by 48.5%
[6] CBAM will have a detrimental impact on the aluminium industry, and it will undermine in particular the competitiveness of secondary aluminium production if the possibility to maximise scrap content in products is maintained. See p.3-4 of European Aluminium position on CBAM, April 2025 [link]

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To conclude, dedicated ETS benchmark for aluminium recycling is essential to supporting the Green Deal, strengthening Europe's industrial base, and advancing circularity and energy efficiency.

We recognize this request's complexity but believe its long-term benefits for EU climate and industrial policy warrant reconsideration. Urgent action is needed due to expected cost impacts next year.

Please find in annex to this letter our draft proposal for an ETS product benchmark for aluminium recycling.

We firmly believe that the European Aluminium industry and the European Commission – together with national authorities - must work closely together to create effective ETS Free Allocation rules that promote resilience, competitiveness, and genuine climate mitigation—avoiding deindustrialisation and carbon leakage—in European aluminium recycling.

We stand ready to support the Commission services and discuss at the technical level our proposed design.

Yours sincerely,

Paul Voss

Hydro

Novelis

Constellium

Ingrid Jörg, Constellium Switzerland AG

trimet

GRÄNGES

speira

Einar Glomnes
Chief Executive Officer Speira

ALUMINIUM FRANCE

POLISH ALUMINIUM ASSOCIATION

RAFFMETAL

Twit
Link ciation
Youtube : EuroAluAssoc

Aluminium Dunkerque

inf m.eu
wv m.eu

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EP.AL.ME.

Subsidiary of **METLEN**

Ioannis Karnachoritis
Director of EPALME

EXLABESA

DERAL S.p.A.
DERIVATI ALLUMINIO
Via Moretto, 80 – 25025 Manerbio (BS)
Tel. +39 0309383728 – Fax +39 0309380742
http: www.deral.it – e-mail: deral@deral.it
PEC: deral@pec.deral.it

idalsa

DERAL S.p.A.
Via Moretto, 80 - 25025 Manerbio (BS) Italy
C.F.: 02040490175 - P.I.: 00675380984
Cap. Soc. € 5.000.000,00 i.v. - R.E.A. BS n°287983
Reg. Imprese Bs n. 02040490175
Appartenente al gruppo ESTRAL S.p.A.

EURAL GNUTTI S.p.A.
Via S. Andrea, 3
25038 ROVATO (BS)

Intals

S.A.V. S.p.A.
Società Alluminio Veneto

ROBA

Fred van den Ham

TALUM
President of the Management Board
Marko Drobnic

COMPANY LOGOS & CEO signatures

BEFESA
Federico Barredo Ardanza

HAI
Hammerer Aluminium Industries

ALFED
ALUMINIUM FEDERATION

WKO
FACHVERBAND NE-METALL

FUSINA
a DADA holding

alumetal
by Hydro

Agnieszka Drzyżdżyk
Elektronicznie podpisany przez Agnieszka Drzyżdżyk
Data: 2025.06.11 14:03:30 +02'00'

INTALS S.p.A.
Sede e Amm.: 20143 MILANO - Via E. Schiavano 7
Stab.: 27029 VIGEVANO (PV) - Viale Lombardia 3
Tel. Milano 02 8180941 - Fax 02 89122171
Tel. Paroria 0384 25411 - Fax 0384 2541245
Cod.Fisc. e Partita IVA 05860300150

CU
aludium
ALUDIUM TRANSFORMACION DE PRODUCTOS, S.L.
Fábrica de Amorebieta

aluminio

Aluminium Deutschland

ELVAL
Rolling progress
ALUMINIUM ROLLING DIVISION:
ELVALHALCOR

European Aluminium
Avenue des Nerviens, 85
1040 Brussels – Belgium

Twitter : EU_Aluminium
LinkedIn : european-aluminium-association
Youtube : EuroAluAssoc

info@european-aluminium.eu
www.european-aluminium.eu

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ANNEX – Industry draft design proposal for an Aluminium Recycling benchmark

Secondary aluminium is produced via remelting or refining scrap. Scrap can contain other materials and impurities. It must therefore be refined prior to remelting. This increases the energy intensity, thereby increasing the overall process emissions and GHG emission intensity.

When the ETS Benchmarks applicable to the Aluminium industry were first designed in 2009, European Aluminium collected data from European refiners and re-melters, identifying 36 installations in total above the 20 MW threshold (20 re-melters and 16 refiners respectively). As the range of emission intensities of remelting and refining at the time were of comparable magnitudes, it was initially suggested to group remelting and refining together in one benchmark for secondary aluminium.

Three remelting installations would determine the benchmark value based on the 10% most carbon efficient installations[7]. It was however eventually decided to use instead the generic fall-back benchmark because of the lack of comparable data and different type of plant configurations.

Another challenge was the variety of plant configurations and reporting practices. For example, many recycling cast houses are integrated in rolling installations, and are also recycling scrap, blended with primary metal. Because of this, the ETS Registry today doesn't fully reflect the number of recycling plants and remelting furnaces across the value chain: several aluminium plants recycling significant amounts of aluminium scrap report under the activity description "Production of non-ferrous metals".

This 'dilutes' the emissions of secondary aluminium production within the ones of other non-ferrous metals or aluminium transformation (extrusion, rolling, finishing etc.), thereby making it extremely challenging to assess the carbon cost impact of higher ETS costs on this important segment of the value chain.

For this exercise, it will be therefore crucial to first understand how much aluminium is recycled in the integrated rolling installations than standalone recycling plants. The design could include the following two options for consideration:

- Isolate the best 10% aluminium recycling installations reporting their emissions in the ETS Registry under the activity description "secondary aluminium production" (and request the EU commission to introduce a new activity description category for aluminium recycling and/or transformation in EU ETS Registry);

- Isolate all ETS installations under the fall-back benchmark methodology (non-sector specific heat and fuel consumption) based on the following criteria:
    - Unavailability of a technology or energy carrier (e.g. biomass) to decarbonise their production process;
    - Circularity contribution;
    - A certain amount of gas or heat consumption;
    - Recognition as strategic in the Critical Raw Materials Act thereby establishing a stronger link between the ETS Carbon Leakage List and the Critical/Strategic Raw Material list.

The proposals above are legally and politically consistent with:

- The new provisions and legal principles in the revised ETS Directive;
- The carbon leakage risks of aluminium recycling because of the higher energy costs in Europe;
- The circularity/ EU supply chains resilience objectives part of the EU's Critical Raw Materials Act (CRMA), Steel and Metals Action Plan and Clean Industrial Deal Communications

[7] The sector study indicated a benchmark value of about 220 kg CO2/t of secondary aluminium. See study by Ecofys « Methodology for the free allocation of emission allowances in the EU ETS post 2012 », November 2009 [link]