European Aluminium
ANYTHING BUT BASIC

EU CONSULTATION ON STEEL POST-SAFEGUARDS MEASURE

EXTENDING THE SCOPE TO THE ALUMINIUM INDUSTRY

Brussels, August 2025

European Aluminium welcomes the European Commission's consultation on the future of a post-safeguards tool for the steel industry.

We acknowledge that the European Commission ("Commission") will take into account the input received when evaluating a new potential measure to tackle the negative trade-related effects of global overcapacities, and to contribute to preserving a strong and sustainable industrial base in the EU.

Representing a sector highly affected by overcapacity worldwide, European Aluminium takes this opportunity to express its interest in extending the scope of this new tool to aluminium and other sectors affected by overcapacity. Like the steel producers, European aluminium producers are currently under severe pressure due to the combination of **structural global overcapacities**, increasing **energy costs**, and the **unpredictability in the multilateral trading system**. The situation is further worsened by growing volumes of underpriced imports, often linked to non-market economies with state-subsidised overproduction, and intensified by the impact of **50% tariffs under Section 232 by the United States**.

As recognised by the Critical Raw Materials Act, aluminium is a strategic raw material for the European economy and society for its indispensable role in aerospace and defence applications, digital technologies, and the overall EU green transition. Providing around 1 million direct and indirect jobs, the European aluminium industry is set to play a crucial role in the coming years. Europe leads the way in sustainable aluminium production, with cutting-edge recycling facilities and one of the lowest carbon footprints globally. However, the industry is facing major challenges.

1. Facing a systemic threat: global overcapacity in the aluminium sector

Today the most immediate and significant threat to European manufacturing is represented by the growing accumulation of excess production capacity in non-market economies, notably in China, and other emerging markets. These overcapacities are being channeled into global markets at massive volumes and unsustainably low prices, severely distorting competition and placing European industry at a considerable disadvantage.

Global overcapacity in aluminium is not a new phenomenon, but lately its scale and impact have become more worrying. While **China** remains the primary concern[1], the industry is also closely

[1] European Union Chamber of Commerce in China (2016): *Overcapacity in China: An Impediment to the Party's Reform*

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monitoring other regions with rapidly expanding capacity, particularly **Southeast Asia** (e.g. Indonesia, and Malaysia where the expansion of capacities is in most of the cases linked to Chinese investments), but also **in India** and in the **Gulf Countries** (GC).
In the aluminium sector, overcapacity is largely driven by unfair subsidies, including the dominance of **state-owned enterprises (SOEs)[2]**, **preferential access to financing[3]**, and significantly **lower energy costs** – all of which are critical for the survival of energy-intensive industries. In particular, SOEs benefit from **direct and indirect government support**, including **below-market financing, tax advantages, and production incentives**, enabling them to expand capacity far beyond market demand.

The concentration of industrial subsidies in specific sectors and countries has raised concerns about an uneven playing field in global trade[4]. Between 2005 and 2023, aluminium was in third place among the five sectors receiving the highest subsidies relative to firm revenue. Recent increases in subsidy levels have further intensified this concentration around strategic sectors and countries. **From 2020 to 2023, the most significant rise in the subsidy-to-revenue ratio was observed in solar cells production, followed by aluminium,** semiconductors, and wind turbines, with firms headquartered in China consistently receiving higher subsidies compared to firms in other countries.

In the last few years, these countries have benefited from significant cost advantages, ranging from cheap energy and raw materials, significantly lower social and environmental standards than the ones EU domestic producers must comply with. For instance, in the **Gulf region**, fossil-fuel subsidies are particularly significant, with **average energy subsidization rates reaching 50–66%**, according to the International Energy Agency (IEA).

In these regions, aluminium companies produce far more than their domestic markets can absorb. This surplus is redirected to international markets —particularly Europe— which, following the uncertainties on the U.S. market due to Section 232 aluminium tariffs, remains highly attractive in terms of both demand and pricing**.**

If structural distortions began in the **primary segment**, they have expanded into **semi-finished products** like extrusions and flat-rolled products and are now encroaching into the **recycling segment**. As an example, **Chinese aluminium's overcapacity is ranging between 1.5- and 3-time EU domestic demand** (i.e. from metal to semi-finished production). According to various analysts, this trend is expected to accelerate in the next years.
Moreover, the current **capacity utilization of the European aluminium industry remains indeed very concerning** *(i.e. below 50% for primary and around 65% for some semi-finished products like extrusion)* due to i) the strong pressure from imports in terms of both price and volume, ii) a slowdown in demand across key markets (e.g., building & construction, automotive industry), (iii) higher production costs than in other regions.

Agenda.
Lorenzo Rotunno, and Michele Ruta. "Trade Implications of China's Subsidies", *IMF Working Papers* 2024, 180 (2024), accessed December 16, 2024, https://doi.org/10.5089/9798400282478.001
[2] OECD (2019), "Measuring distortions in international markets: The aluminium value chain", OECD Trade Policy Papers, No. 218, OECD Publishing, Paris. http://dx.doi.org/10.1787/c82911ab-en.
OECD (2024), "Quantifying the role of state enterprises in industrial subsidies", *OECD Trade Policy Papers*, No. 282, OECD Publishing, Paris, https://doi.org/10.1787/49f39be1-en.
The reports highlight that **41% of global smelting capacity is state-owned**, with 85% of all global government support from 2013–2017 going to just five Chinese-owned firms (Chalco, China Hongqiao, QPIG, SPIC, China Zhongyang), all of which are heavily backed by the Chinese government. State-owned enterprises (SOEs) receive disproportionate subsidies from other SOEs, including state banks and energy providers—further entrenching their market dominance.
[3] OECD (2023), "Measuring distortions in international markets: Below-market energy inputs", *OECD Trade Policy Papers*, No. 268, OECD Publishing, Paris, https://doi.org/10.1787/b26140ff-en.
[4] OECD (2025), The state of play of industrial subsidies as of 2023 (EN)

Finally, the effects are cascading throughout global supply chains, impacting key downstream sectors like **electric vehicles, wind turbines, and solar panels**, where aluminium is a critical input.

Like envisaged rightly for the steel industry, such a dramatic picture requires a new trade framework and a more agile toolbox to ensure the viability of such a critical sector for Europe competitiveness and strategic autonomy.

2. The need for a new comprehensive tool to tackle overcapacity in the aluminium industry

While the Commission's **2025 "Steel and Metals Action Plan"** acknowledges the strategic vulnerability of the metals sector, **no horizontal trade mechanism has been developed for aluminium**, despite aluminium is facing similar challenges as steel—including exposure to US Section 232 tariffs.

To protect the industry, in the past the EU has adopted **anti-dumping duties** on Chinese aluminium extrusions[5] and some flat-rolled products[6], which has helped reduce the pressure from import volumes. In addition, the industry is regularly engaged with the Commission to assess the conditions for a possible safeguards investigation in the sector.
However, the stringent criteria and conditions for safeguards are difficult to meet due to the particularity of the aluminium trade flows and the measures implemented often fail to meet **the needs of an integrated European aluminum value chain**. Moreover, these measures are **slow to react** to the actions of global competitors, **circumvention practices** and hence **price pressure** persist.

For these reasons, **current EU trade defence instruments (TDIs)** are ill-equipped to address the **systemic and diffuse nature of global overcapacity**, which is built across different countries, over time, and targets different segments of the value chain. Current **EU trade defence instruments**, while helpful, remain indeed **surgical** and **fragmented at product level,** making them insufficient to address the all-encompassing spillover effects of overcapacity on the entire value chain. This must now be urgently tackled by EU policymaking.

We therefore call on the Commission to swiftly develop and extend the scope of the **new trade protection tool for the steel industry** to **include aluminium** and other sectors suffering from overcapacity.
We believe it's essential that from the beginning, **the design of this new tool should not be restricted to sectors and products already concerned by EU safeguards[7].** Therefore, such a new framework should cover **aluminium**, including those **products currently not subject** to any trade defence measures, **to ensure effective protection across the value chain.**

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[5] COMMISSION IMPLEMENTING REGULATION (EU) 2021/546 of 29 March 2021 imposing a definitive anti-dumping duty and definitively collecting the provisional duty imposed on imports of aluminium extrusions originating in the People's Republic of China
[6] COMMISSION IMPLEMENTING REGULATION (EU) 2021/1784 imposing a definitive anti-dumping duty on imports of aluminium flat-rolled products originating in
[7] Eleven EU Member States called for the future framework to be extended to steel products currently uncovered by safeguards. See "Non paper" from Austria, Belgium, Bulgaria, France, Greece, Italy, Luxembourg, Poland, Romania, Slovakia and Spain on the new trade protection framework for the European steel industry (available here).

Additionally, its scope and design should allow for a certain degree of flexibility, functional to adapt and protect an integrated aluminium value chain developed within the Single Market and its regional block.

Finally, this new protection tool should be implemented by **2026**, in line with the strategic importance of the sector and the ambitions of the Steel and Metals Action Plan.