



# PROTECTING EUROPE'S ALUMINIUM INDUSTRY STARTS WITH FIXING CBAM

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2 pager briefing

Primary aluminium is traded on global markets, with benchmark prices set by the London Metal Exchange (LME). In addition, European producers buying aluminium must also pay a European premium: a surcharge to attract primary aluminium to Europe that also covers logistics costs, duties and border charges. This premium reflects the most expensive primary aluminium needed to fulfill the demand on the European market (“marginal supplier principle”). With CBAM to be paid on imports of primary aluminium, and European producers of primary aluminium losing their ETS free allocation, this premium will increase, leading to a general increase of prices for aluminium on the European market. European buyers must pay this premium, even when the aluminium is low carbon. Scrap prices are correlated to the primary aluminium price and will increase on the European market too. Foreign producers can continue buying their aluminium input, primary and scrap, at prices that do not include the additional European premium.

CBAM was meant to apply a carbon price to imports equal to the one paid in Europe. In practice, it distorts the global market and increases production costs in Europe. Because the carbon charge for European producers who buy aluminium as input material into their production will be based on the carbon intensity of the most polluting tonne of primary aluminium still needed to meet European demand, without regard to the actual carbon intensity of the metal. Both for primary aluminium, and for scrap. As the CBAM charge becomes embedded in the price of all metal sold and purchased in Europe, raw materials become more expensive in Europe while foreign producers can purchase the aluminium without paying the European premium and only pay a CBAM on the actual emissions values they declare for their products. This further erodes competitiveness for companies already facing high energy and regulatory costs.

[A recent study by Ramboll Consulting](#) confirms that, due to the many loopholes and design flaws in CBAM, the measure is unlikely to reduce global emissions and will instead raise costs across Europe’s value chain — including for end customers. This will lead to more, not less, carbon leakage.

The main design flaw is that non-European producers have the flexibility to adjust their aluminium input and production costs and avoid the charge at the border, while pocketing the higher premium for metal sold in Europe. They can report the actual emissions of the goods instead of paying CBAM based on the most expensive primary aluminium needed to meet the demand on the European market, and adapt their production to lower their actual emissions even further. For example, by increasing the share of recycled or low-carbon primary metal in their exports to Europe. European producers cannot do this. They pay for their own emissions via the EU Emissions Trading System (ETS), and they also pay for carbon via the CBAM and ETS impact on the European market premium, based on the most expensive primary aluminium needed to meet the European demand for primary aluminium: these costs apply regardless of the carbon content of the metal they purchase.

ETS-related indirect carbon costs are also embedded in European electricity prices, further eroding their competitiveness — and these cannot be mirrored in the CBAM design. If indirect emissions were added to the CBAM scope for aluminium, the impact on the European market premium would drastically increase because it is based on the most expensive (and thus, most carbon-intensive) primary aluminium that is still needed to meet the demand. This is why indirect emissions are not included in the current CBAM for aluminium, and they should not be included.

**In summary, because the price of all aluminium in Europe will rise due to the “CBAM premium,” imported aluminium will sell at the same market price but face much lower regulatory costs by avoiding CBAM certificate obligations. This avoided cost effectively becomes additional profit for the companies exporting aluminium to the EU.**

**As a result, European consumers pay a carbon premium on all aluminium—regardless of its actual carbon content—while much of that premium boosts the profitability of producers outside Europe.**

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## What Must Change in CBAM<sup>2</sup>

✓ **Default values should be the main method for assigning border costs for aluminium:** To stop all possible forms of circumvention and keep the system fair and simple, we recommend applying a standard default carbon value based on the emissions of primary aluminium production in the country of origin of the goods to all aluminium products covered by CBAM. The default value should apply regardless of whether the material is made from primary aluminium or recycled scrap. Actual emissions should only be reported for downstream processing steps such as remelting, casting, extrusion and rolling. It should be reviewed regularly to reflect progress in reducing emissions from primary aluminium production in each country. If there is no systematic use of default values for all aluminium, default values should at least be systematically applied for all kinds of scrap. There should be no distinction between different types of scrap (pre- and post-consumer).

✓ **Keep Indirect Emissions Out:** CBAM should focus exclusively on direct emissions. Because of the impact of CBAM on the price for all aluminium purchased in Europe, indirect emissions should remain excluded for aluminium to avoid that European producers are pushed out of the European market. Moreover, Including indirect emissions would not level the playing field as European producers still will have considerable indirect emissions costs through their power prices, even when using clean electricity and well beyond 2035.

✓ **Maintain Existing Carbon Leakage Protections Until CBAM Is Proven:** Until CBAM is demonstrated to be an effective tool against carbon leakage, existing protections must remain in place. This includes free allowances under the Emissions Trading System and indirect cost compensation under national state aid rules. Nearly all remaining EU aluminium smelters are located in countries that offer this support. Phasing them out too early would risk closures and greater reliance on high-carbon imports.

✓ **Expand the Scope to Downstream Products:** To prevent circumvention, CBAM must cover more complex downstream goods containing aluminium<sup>3</sup>.

✓ **Introduce Stronger Safeguards Against Circumvention:** The EU must close loopholes by mandating the use of default values, at least for all kinds of scrap. If there is no systematic use of default values, practices of re-shuffling and sale of scrap that can be reclaimed in the same process should be defined as circumvention. Emissions should be reported at the full manufacturing site level, without leaving room for specifically attributing low-carbon inputs to the production destined for imports to Europe. In case indirect emissions are added, only default values reflecting the average emission intensity of the national grid mix should be allowed to avoid resource shuffling, and the use of energy attribution certificates (RECs, GoOs, etc.) must be prohibited.

✓ **Ensure Fair Competition Across Materials:** Competing materials like copper, paper, and plastics should also be included in CBAM to avoid market distortions.

✓ **Level the Playing Field for Exports:** A solution is needed to prevent third-country buyers from favouring cheaper non-EU products, as non-EU exporters and producers do not face the same carbon costs. The export solution should compensate European producers and their customers for both, (i) the loss of ETS free allocation and (ii) the increase in their metal costs because of the impact of CBAM and phasing out of ETS free allocation on aluminium price.

✓ **Simplification should not lead to circumvention:** The CBAM exemption for imports below 50 tonnes per year should be lowered to 5 tonnes. The current threshold risks harming smaller players in Europe, such as aluminium extrusion producers, who typically sell limited quantities of aluminium products—often well below 50 tonnes per order. It also poses a risk to niche semi-finished products, which are generally required only in small volumes.

## If CBAM Can't Be Fixed, It Should Not Apply to Aluminium

If CBAM continues to do more harm than good, aluminium should be removed from its scope entirely. Should this highly plausible scenario materialise, the EU must act swiftly and decisively to reinstate carbon leakage protection measures. This includes maintaining current levels of ETS free allocation and indirect cost compensation beyond 2030.

<sup>2</sup> See our latest CBAM position paper [\[here\]](#) & European Aluminium Press Release : « New Study on CBAM Impact on Alumina & Scrap Markets confirms CBAM design flaws », May 2025 [\[link\]](#)

<sup>3</sup> See European Aluminium's feedback to European Commission study on CBAM product scope downstream expansion, July 2024 [\[link\]](#)

