

Brussels, 19 March 2026

Subject: Impact of the Iran War on Europe's Aluminium Industry and Competitiveness

Honourable Heads of States and Governments,
Honourable President of the European Council Costa,
Honourable President of the European Commission von der Leyen,
Honourable Executive Vice-President of the European Commission Séjourné,
Honourable Commissioner Hoekstra,
Honourable Commissioner Šefčovič,

As the Executive Committee of European Aluminium, representing the entire aluminium value chain in Europe, we are writing ahead of the European Council of 19–20 March to draw your attention to **the growing impact of the Iran war on the European aluminium industry** and to call for decisive action to safeguard this strategic sector.

Aluminium is recognised as a critical and strategic raw material by the EU's [Critical Raw Materials Act](#) and [NATO](#) for its use in green and digital technologies and defence. Maintaining a resilient European aluminium value chain is therefore essential for Europe's economic security and strategic autonomy.

The escalation of the conflict in the Middle East is adding further pressure on the European aluminium value chain. The Persian Gulf region produces around **6.8 million tonnes of primary aluminium annually**, making it the largest exporting region worldwide and a key supplier to global markets. The EU is also significantly exposed to this region, which accounts for around **14% of EU imports of aluminium products**. Aluminium is priced globally through the **London Metal Exchange (LME)**, and as markets react to supply risks and energy market uncertainty, aluminium prices have already **risen by 7%** since the start of the conflict.

The recent curtailments of primary aluminium capacity in the Gulf region, combined with heightened uncertainty over future supply due to the ongoing conflict, further underscore the importance of strengthening Europe's aluminium recycling sector in order to enhance raw materials autonomy and economic security. In this context, the **swift implementation of a targeted fee on exports of aluminium scrap** has become increasingly urgent.

At the same time, the conflict and the partial disruption of shipping through the **Strait of Hormuz** are contributing to rising energy prices, which are already **up to three times higher in Europe than in competing regions**. For an energy-intensive sector such as aluminium, fluctuations in power prices have an immediate and significant impact on production costs. **European gas prices — a key driver of electricity costs — have increased from around €30/MWh to approximately €46/MWh between 28 February and early March 2026**, representing an increase of over **50%**, with prices briefly peaking above **€60/MWh** during the same period. As gas often sets the price of electricity in Europe, **average wholesale electricity prices in major EU markets have also increased by around 20–30% and currently range between €80 and €120/MWh**.

Because aluminium is globally priced, European producers and downstream manufacturers cannot pass on higher energy costs. This erodes competitiveness across the entire value chain and increases the risk of **further industrial capacity loss in Europe, including potential curtailments or closures if current market conditions persist**.

These developments come on top of structural challenges facing the sector, including persistently high energy costs, global trade distortions and the record outflow of aluminium scrap from Europe. **Europe has already lost approximately 50% of its primary aluminium production capacity** since the start of the energy crisis, weakening its ability to produce this strategic material domestically at a time of rising geopolitical uncertainty. The increasing leakage of aluminium scrap is now also jeopardising the entire aluminium recycling and transformation sector.

We therefore welcome the Commission's initiative to strengthen Europe's industrial base through the proposed **Industrial Accelerator Act (IAA)**, and in particular its recognition of the strategic importance of aluminium for Europe's industrial competitiveness and security. We look forward to engaging constructively with policymakers as the legislative process progresses and will provide further input in due course.

We are also looking forward to the planned review of the ETS in July 2026 to reduce price volatility while safeguarding the aluminium industry's competitiveness by avoiding drastic reductions of free allowances in the meantime. However, the current geopolitical situation underscores the need for additional targeted and decisive policy action to safeguard Europe's aluminium value chain, including temporary short-term measures to shield European Aluminium producers from additional carbon costs. In particular, we urge policymakers to:

- **Take urgent action to reduce energy costs and provide relief for energy-intensive industries**, ensuring globally competitive electricity prices for European production.
- **Pause or adjust the planned 2026 update of the ETS fallback benchmarks and possible application of the cross-sectoral correction factor (CSCF)** to avoid further cost pressure on the aluminium value chain at a time of heightened market volatility and increasing energy costs.
- **Support the restart and long-term viability of primary aluminium** production in Europe, restoring capacity lost since the energy crisis, notably through continued indirect ETS cost compensation beyond 2030 to safeguard competitiveness and investment certainty.
- **"Stop the clock" on CBAM for aluminium** (pausing the implementation of the definitive period of CBAM and the related phasing-out of free allowances for the aluminium sector) until the proposed changes in this paper have been implemented and the impact of CBAM on the competitiveness of the EU aluminium industry, also with the proposed changes, has been fully assessed.¹
- **Safeguard the competitiveness of Europe's downstream aluminium sector**, which relies on stable and competitively priced metal supply.
- **Rapidly develop an effective trade measure to address the aluminium scrap leakage issue** by the stated deadline of Spring 2026, as announced by Commissioner Šefčovič in November 2025.
- Ensure **coherence between the EU's industrial objectives and its trade policy, including ongoing and future trade agreements**, so that competitiveness and resilience efforts are not undermined by asymmetrical market conditions.
- Shape the **IAA in such a way that it delivers on its stated aims** and supports the entire European aluminium industry.

Given the urgency of the situation, we would welcome the opportunity to exchange views with you or your services and are ready to work with the Commission to identify concrete measures that strengthen the competitiveness and resilience of Europe's aluminium industry.

Yours sincerely,

¹ <https://european-aluminium.eu/wp-content/uploads/2026/03/2026-02-17-EA-Position-Paper-on-CBAM-Downstream-scope-extension.pdf>



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