ALUMINIUM INDUSTRY PRIORITIES FOR INTERNATIONAL ACTION IN 2026

HIGHLIGHTS

China's subsidy-based dominance of global aluminium markets gives it excessive control over affordable and reliable access to this critical material, threatening national security across G7+ countries. In response, governments and industry in G7+ countries should prioritize the following:

(i) Collective action to offset China's massive aluminium subsidies, such as common tariffs on aluminium imports and restrictions on aluminium scrap exports,
…and simultaneous removal of unnecessary trade restrictions between G7+ countries;
…interoperable aluminium import monitoring systems, supported by industry, will ensure transparency and compliance with collective trade actions.

(ii) Targeted public support to encourage new private sector investment in primary and secondary aluminium production, such as:

- *enable long-term access to affordable energy for primary production (e.g., power purchase agreements)*
- *encourage investment in science and technology (S&T), and in S&T collaboration across governments and industry, including for new aluminium scrap collection, sorting, and segregation systems*
- *explore new market measures for rapid adoption of new technologies (e.g., contracts for difference), public procurement schemes for responsible aluminium production, and voluntary programmes for domestic recovery and processing of aluminium scrap.*

GLOBAL ALUMINIUM MARKETS AND POLICIES

The aluminium industry associations representing the United States, Europe, Canada, and Japan are working together in pursuit of their shared interest in building secure regional aluminium supply chains. This note highlights priority actions that should be pursued over the coming year, by both the public and private sectors, building on initiatives taken in 2025 and the evolving situation in global aluminium markets.

Over the course of 2025 it became clear that in the near-term there will be no comprehensive multilateral discipline on non-market policies and practices that distort global competition, most notably by China. For the aluminium industry, this puts a premium on practical actions that can be taken in the short-term to address its sector-specific challenges. Failing prompt action, the continued operation of individual firms and even entire segments of regional aluminium supply chains are at risk.

New data are now available from the *OECD MAGIC database* on subsidies across 15 industrial sectors for the period 2005-24. China remains in a league of its own, providing very high levels of on-going industrial support. In brief:

- Over the period 2005-24, subsidies to the aluminium sector totaled USD 118.3 billion, of which China USD 101.4 billion (86% of total), OECD countries USD 5.4 billion, and RoW USD 11.5 billion;
- Subsidies in 2024 to the aluminium sector totaled USD 11.1 billion, of which China USD 10.2 billion (92% of total), OECD countries USD 399 million, and RoW USD 504 million;
- 2024 subsidies as a share of aluminium firm revenue were 4.4% in China, 0.5% in OECD countries, and 0.5% in RoW.

As a result of these massive subsidies, in just 20 years China's share of global primary aluminium output grew from 11% to 61%, and this growth is continuing. Despite China's recently announced 45 million tons primary aluminum output cap, new Chinese-owned capacity in Indonesia has already exceeded this cap – bringing a further 4.5 million tons to market, with a target of 13 million tons by 2035. To put this in perspective, the entire global primary aluminium market totals around 73 million tons annually.

China's dominance of primary aluminium production is spilling over into production and export of semi-finished materials (e.g., extrusions, sheets) and high-value products (e.g., electric vehicles, wind turbines) containing aluminium. Chinese recycling capacity also continues to expand and is expected to approach 40 million tons by 2030 (albeit with a low utilization rate of ~40-50% today).

Alongside long-standing support to Chinese aluminium firms, aluminium supply chains today are facing dramatically higher tariffs on aluminium imports (50%) into the U.S. These tariffs are driving negative impacts on traditional exporters to the U.S., most notably Canada, which has traditionally supplied ~70% of U.S. primary aluminium demand. There are also a range of indirect impacts, from the inevitably higher prices paid by U.S. firms downstream in its aluminium supply chain, to the diversion of aluminium scrap from Europe (and elsewhere) to the (now) much higher price aluminium market in the United States. And as other G7+ governments and businesses attempt to respond to more aggressive U.S. trade policy, there is less focus on the cooperative international efforts needed to address the negative impacts of China's subsidy-based market dominance.

Aluminium is a strategically critical material, is infinitely recyclable, and possesses unique qualities essential for a wide range of applications. It is lightweight, corrosion resistant even in extreme conditions, well-suited for precision fabrication, and has high tensile strength. Aluminium is common in household uses, from beverage cans and kitchen appliances to smartphones and laptops, as well as in many industrial applications, from transport equipment and construction to power transmission, renewable energy, and robotics. Demand for aluminium across defence industries is also increasing, for uses ranging from the production of military ground vehicles, warships, and aircraft to missiles, rockets, and satellite systems.

Aluminium & Steel Markets Overview

Global primary aluminium markets today are roughly in balance, with supply meeting demand and a capacity utilization rate of 90-95%. There is also a growing share of recycled metal in total aluminium production and consumption, reaching approximately 37% in 2025. Over the period to 2050, demand growth of up to 80% is expected to drive global aluminium prices higher, with supply struggling to keep pace and stocks relative to use tightening further. Even in the very short term, market access uncertainties are combining with the forecast 2.7% CAGR to put strong upward pressure on prices.

In contrast, global steel markets today are characterized by excess production and a capacity utilization rate of just 74%; production capacity is already equivalent to forecast steel demand in 2050. The global economic value of steel (i.e., output and employment) is roughly 10 times greater than for aluminium, and political economy realities mean that government policies often solve for the specificities of steel markets - not aluminium.

Even as both sectors confront the common challenge of China's ecosystem of industrial support, the different situation in aluminium and steel markets requires differentiated public policies and industrial strategies.

While the aluminium market outlook would normally attract new private investment, China's heavily subsidized production and current U.S. trade restrictions create excessive risks for private firms. They also pose risks for national security.

Aluminium production in China grew unabated over more than two decades, even during periods of low global prices. Unsubsidized producers were unable to compete with the deep pockets of the Chinese state. Over the same time period, aluminium smelters across the United States and the European Union were closing, falling from 24 to just 4 smelters and from 23 to 9 smelters, respectively. Deregulated high energy costs were also important factors, but the predominant cause was the unrelenting expansion of Chinese output (both within and outside China), regardless of market fundamentals. With a 61% share of global aluminium production, China's market dominance gives it excessive control over supplies, and prices, of this critical material – posing a clear threat to national security across G7+ countries.

Concern with China's growing dominance in global aluminium markets was described in the U.S. Department of Commerce Section 232 investigation in 2018. A global tariff, at a rate below 10%, was one of the alternative responses put forward; another was a higher tariff (i.e., below 20%) targeting just those countries that are either a major source of imports due to subsidy-driven production or are unreliable suppliers. The action taken recently (i.e., a global 50% tariff), however, effectively prohibits imports into the United States. While this may encourage some increased domestic primary production, this will take years to realize and is not expected to reach the levels needed to satisfy growing domestic demand in the near-term. In fact, today, the United States produces only around 17% of the primary aluminum it needs to meet annual demand. Building a single new primary aluminum smelter will take many years, billions of dollars in capital and enough electricity (at competitive rates) to power the city of Boston. In order to be fully self-sufficient for its primary aluminum needs, the United States would need to build 5 new major smelters. As noted by the U.S. Geological Survey (2026), domestic aluminium output is steady (not increasing), recycling is a strategic strength (but underexploited), and import reliance is a structural reality. In the short term, the prohibitive U.S. tariff limits available supply and ensures high domestic prices.

There is another option, one that offers strong mutual benefit for like-minded G7+ countries: refocusing efforts and working together (i) to ensure fair and reciprocal trade across G7+ borders and, (ii) to respond, collectively, to the single most important challenge to building secure regional aluminium supply chains - China's subsidy-based market dominance.

PRIORITIES FOR INTERNATIONAL ACTION

Enabling conditions for secure regional aluminium supply chains

Secure and reliable supplies of aluminium to meet growing regional demand, including for national security purposes, require increased private sector investment, which in turn is contingent on fair competition and well-functioning markets. Said differently, disincentives to building robust aluminium supply chains must first be removed.

The priority is to counteract the massive advantage provided to China's aluminium firms by its long-standing subsidy regime. The most effective way to achieve this goal is through coordinated trade policy action across G7+ governments. Individual trade defence measures can play an important role, but can also lead to additional market disruptions through asymmetrical regional market treatment. ***Collective action by G7+ economies, such as introducing a common tariff that offsets China's ecosystem of state support, would have a much more systematic, comprehensive, and durable impact.***

To ensure transparency and avoid transhipments, collective action must be underpinned by interoperable aluminium import monitoring systems, supported by the aluminium industry in G7+ countries. There has already been progress on this issue across North America, with the U.S. introducing a new aluminium monitoring system in 2021, Canada recently enhancing its own system with new smelt and cast requirements, and Mexico now implementing a comprehensive aluminium import monitoring system for the first time in its history.

Effective collective action against heavily subsidized or unreliable suppliers offers another benefit, removing the rationale for tariffs between G7+ countries and allowing responsible businesses to work together to ensure secure supplies of this critical material. Fair and reciprocal trade across G7+ borders would encourage new private investment in secure regional aluminium supply chains – across primary production, semi-processed and finished products, and recycling.

While the principal source of distortions in aluminium markets today is China, collective action could also address G7+ concerns with other unreliable suppliers.

Failure to act collectively will be costly. China's global market dominance will continue, and increasingly extend to downstream sectors and to secondary production, with associated risks to national security. A continuation of current policies will also lead to further market fragmentation, with G7+ members pursuing new import and export restrictions, including against each other, to protect their own domestic primary and secondary production ecosystems.

Industry investment and targeted public support

Improved enabling conditions will go a long way toward restoring business confidence and encouraging new investment. More can be done, and more quickly, with targeted public support that provides new *incentives* to build secure regional aluminium supply chains.

There are two immediate priorities: to provide long-term access to affordable energy for primary production and to increase access to aluminium scrap for secondary production (i.e., recycling).

Within the context of national energy, economic, and industrial strategies, G7+ governments should remove barriers to long-term Power Purchase Agreements (PPAs). Energy is a major input to primary aluminium production, and reliable access to affordable energy is critical to viable industry investment in increased output. To cite just one example, in the United States, a new primary aluminium smelter requires a multi-decade electricity contract at ~$40 mWh but is competing in a deregulated market with technology firms and AI data centres willing to pay ~$120 mWh for the same power.

Furthermore, at present, a significant share of aluminium scrap is exported from G7+ countries to China (directly or through third countries), where it can be subsidized, re-processed, and re-exported back to G7+ markets. More recently, scrap is even exported from Europe to the United States, attracted by the higher price market that results from the 50% global tariff on aluminium imports. Fair and reciprocal trade between G7+ countries would eliminate this latter distortion, but ***export restrictions on aluminium scrap to offset China's ecosystem of state support should be introduced*** – essentially paralleling proposed import restrictions on heavily subsidized metal from China.

While the private sector should be the primary driver of innovation to meet market demand, ***there is also a public interest in risk-sharing funding for technological advances to help secure critical materials, such as aluminium. Increased private and public investment in science and technology (S&T), and in S&T collaboration across G7+ governments and industry, offers huge potential benefits.*** Support for new aluminium scrap collection, sorting, and segregation systems is an immediate area of widespread interest.

Finally, ***governments should consider new market measures for (i) rapid adoption of emerging new technologies,*** such as via 'contracts for difference' (where firms would be supported, on a clearly time-limited basis, for testing and early deployment of new technologies), (ii) ***public procurement schemes for responsible aluminium production*** (open to all signatories of the WTO's Government Procurement Agreement on a non-discriminatory basis), and (iii) ***voluntary schemes to encourage domestic recovery and processing of end-of-life aluminium scrap.***

Next steps

The aluminium industry associations representing the United States, Europe, Canada, and Japan are already working collaboratively to develop interoperable aluminium import monitoring systems to underpin collective action by G7+ economies that would address the risks from China's subsidy-based market dominance. We also stand ready to work with governments on other joint actions that can be taken to build secure regional aluminium supply chains.

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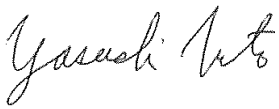

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