

Press Release

European aluminium industry in need of better support to counteract ETS impact

Brussels, 22nd May 2012: The new guidelines published today by the European Commission on “certain state aid measures in the context of the ETS” will fail in its objective to prevent carbon leakage as it will not provide the necessary support for Europe’s primary aluminium industry. The European Aluminium industry urges the European Commission to encourage Member States to employ additional means to secure the industry competitiveness and prevent carbon leakage.

The Commission’s guidelines will only allow for a partial compensation of the indirect CO₂ costs resulting from the EU Emission Trading Scheme. These costs have already significantly increased European electricity prices, which cripple the competitiveness of highly energy intensive industries, such as primary aluminium production. Compensation for these costs is vital for the aluminium industry, which cannot pass on its regionally imposed CO₂ costs to customers, as its sales prices are determined on the London Metal Exchange.

Without adequate compensation for the CO₂ costs in electricity, the metal produced in Europe will not be competitive. Since most competing regions of the world are not exposed to such indirect emissions costs, there will be further massive production losses in Europe, with no global environmental gain, as imported aluminum is estimated to have a significantly higher carbon footprint than the average footprint of aluminium produced in Europe.

At a time where Europe is trying to secure access to raw materials, further reduction of primary aluminium production will dramatically erode the long-term security of aluminium supply for the many downstream activities and applications which - through lightweighting, durability and recyclability of aluminium - are crucial for a low carbon economy.

The guidelines fail to reach the objective of Directive 2009/29/EC, which states in Article 10a, §6 that Member States can provide for financial measures to avoid carbon leakage for certain industrial sectors. Due to its global pricing system and high energy intensity, aluminium production is the most exposed sector for carbon leakage and need full compensation of the indirect CO₂ costs.

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Under any circumstances the European Commission must encourage Member States to employ alternate means to secure competitiveness and prevent carbon leakage. Specifically it is necessary that remaining obstacles for the negotiation of long-term power contracts are removed, as anywhere else in the world. Overall, policy-makers must undertake an in-depth assessment of existing and future proposals on energy and climate change policies in order to prevent further de-industrialisation of Europe.

Without the support of these enabling policies carbon leakage will continue, resulting in further closures and smelting capacity reduction, and generating an increasing dependency on metals supply from outside Europe. This increasing metal dependency will have also impact for Europe's important and highly innovative semi-fabrication, producing a wide range of products such as light-weight components to transportation and flexible, strong and highly recyclable materials to the whole industry including building and packaging.

About European Aluminium Association:

The European Aluminium Association, founded in 1981, represents the European aluminium industry from alumina and primary production to semi-finished and end-use products, through to recycling. The European aluminium industry directly employs about 255,000 people.

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Note to the reader and background information

The EU Emissions Trading Scheme was introduced to reduce CO₂ emissions and combat climate change. For the third trading period 2013-2020, the ETS Directive 2009/29/EC foresees that Member States may adopt financial measures in favour of sectors exposed to a significant risk of carbon leakage due to costs relating to greenhouse gas emissions passed on in electricity prices (indirect emissions costs), in order to compensate for those costs in accordance with State aid rules.

In order to fulfil this obligation, the Commission has presented new State aid guidelines intended to define the compatibility criteria of these State aid measures with the internal market. The European Commission has recognised that the aluminium sector is eligible for such aid.