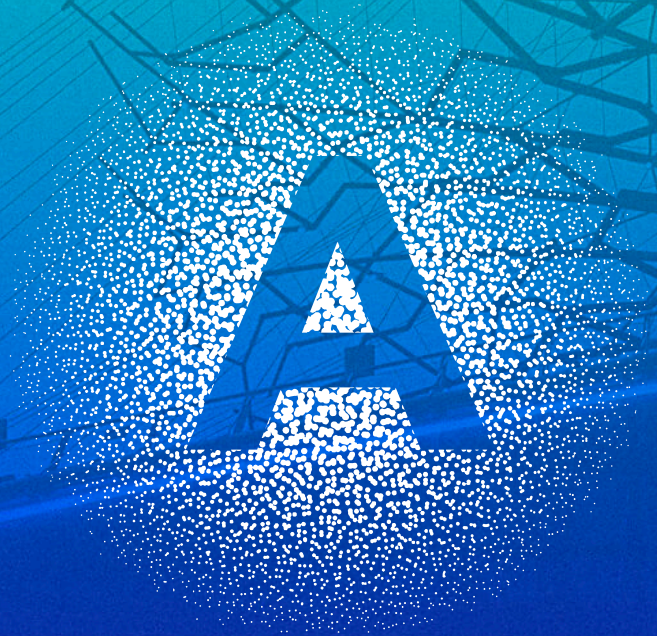


# FEDERATION OF ALUMINIUM CONSUMERS IN EUROPE

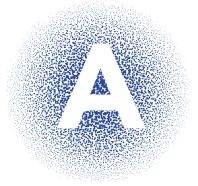


Europe must urgently support the competitiveness  
of its downstream aluminium industry

June 2019



# ABOUT FACE



- ✓ With a membership comprised of many of the EU's top aluminium downstream stakeholders, the Brussels-based Federation of Aluminium Consumers in Europe (FACE) is **a voice dedicated to Europe's aluminium users and consumers.**
- ✓ Since its founding in May 1999 by independent European aluminium transformers, FACE has advocated for a level playing field for the continent's downstream aluminium sector and has promoted the versatile metal by showcasing its economic, social and environmental virtues.
- ✓ FACE commissioned a study from the LUISS University in Rome whose key findings are commented in this presentation.

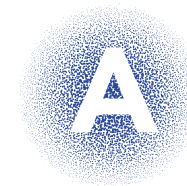
## Our members

Members :







Observer members :

# OBJECTIVES OF FACE



## IMPORT TARIFFS APPLIED ON UNWROUGHT ALUMINIUM IN THE EU IN 2019

HS Code	Code description	Tariff (2019)	EU regulation No.
76.01.100000	Aluminium, <b>not alloyed</b> , Aluminium content $\geq 99\%$ 	<b>3%</b>	R0705010
76.01.202010	Aluminium <b>alloys</b> , slabs and billets, containing lithium, Aluminium content $< 99\%$ 	0%	R1623900
76.01.202090	Aluminium <b>alloys</b> , slabs and billets, Aluminium content $< 99\%$ 	<b>4%</b>	R1623900
76.01.208000	Aluminium <b>alloys</b> (other) , Aluminium content $< 99\%$ 	<b>6%</b>	R9720860

- Supporting the **competitiveness** of the EU downstream industry.
- Achieving **fair trade** in raw aluminium and aluminium products across all EU markets.
- Promotion of **aluminium** and **aluminium products** as superior choices due to their significant economic, social, and environmental advantages.
- Monitoring and evaluating **new and emerging technologies** for the production, semi-fabrication, trade, and use of aluminium.
- Stimulating **demand** for aluminium by reducing the cost of unwrought aluminium

- In 2007, following FACE and downstream industry pressure to change the tariffs, a temporary reduction from 6% to 3% was introduced on unwrought unalloyed aluminium.
- In 2013, following another initiative of FACE, the alloyed slabs and billets duty rate was temporarily reduced from 6% to 4%. The second tariff suspension applies to aluminium slabs and billets containing lithium, whose import are lowered from 6% to 0%



**Not-alloyed remelt ingots**



**Slabs**  
(sheet / rolling ingots)

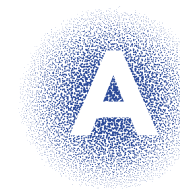


**Foundry alloys**  
(alloys remelt ingots)



**Billets**  
(extrusion ingots)

# EU ALUMINIUM INDUSTRY LANDSCAPE



## UPSTREAM

8% - of the total employment

30% - of the annual turnover

Primary Al



Alumina

## DOWNSTREAM

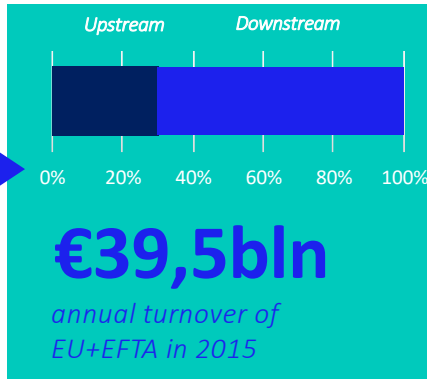
92% - of total employment

70% - of annual turnover



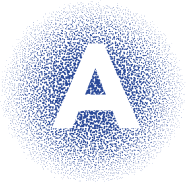
SEMI-FINISHED PRODUCTS

END PRODUCTS

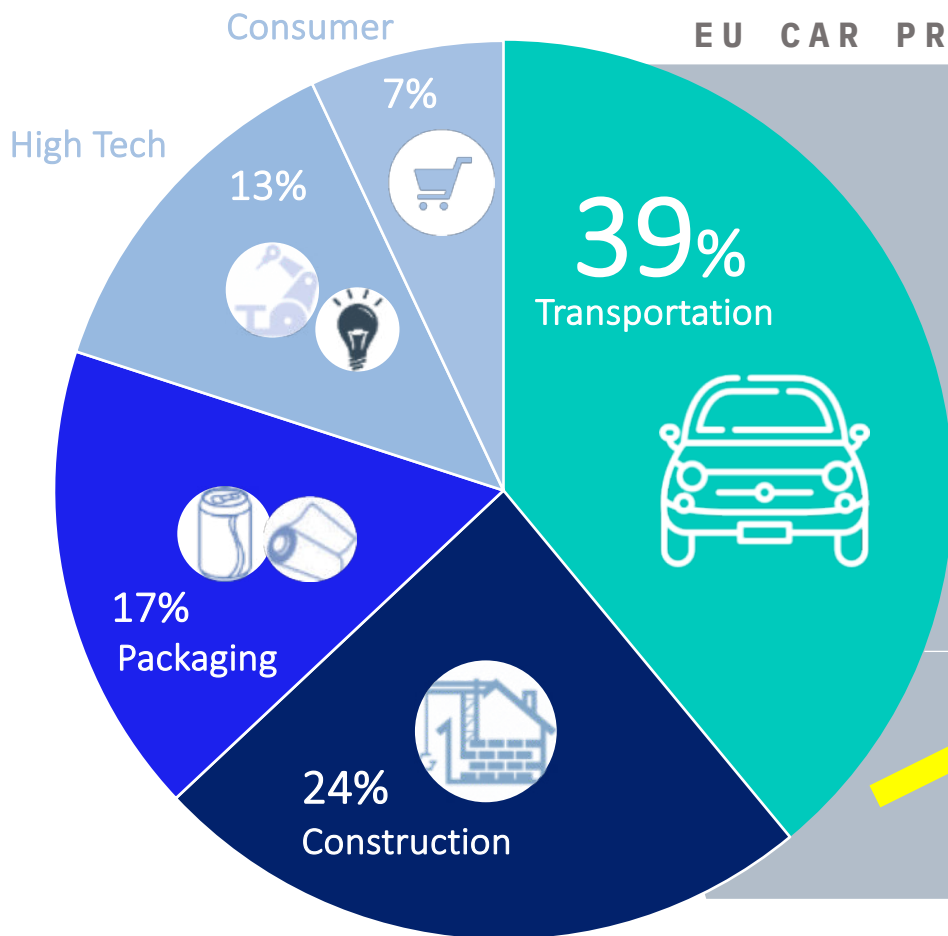




# AUTOMOTIVE IS THE MAIN CONSUMER OF ALUMINIUM IN EU

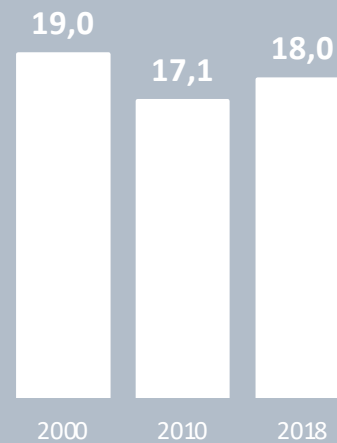


## SEMIS DEMAND BY END USE



## EU CAR PRODUCTION DYNAMICS

MIO VEHICLES



**13.3** MILLION EUROPEANS

or 6.1% of the EU employed population work in the automotive sector. The 3.4 million high-skilled jobs in automotive manufacturing represent 11.3% of the EU's manufacturing employment.

**137**

There are 137 car manufacturing factories in Europe

**10**

The average age of cars is close to 10 years

from **50 kg** to **150.6 kg**  
average aluminium content per vehicle  
for European car production (1990 vs. 2016)

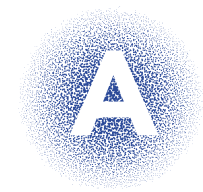
Average aluminum content will increase to **200 kg** per vehicle by 2025

Source: EAA, OICA, FACE estimations

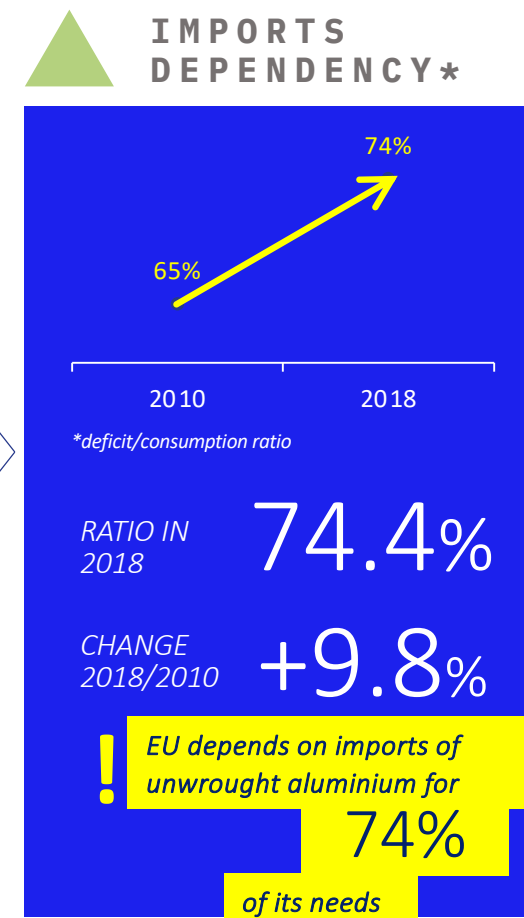
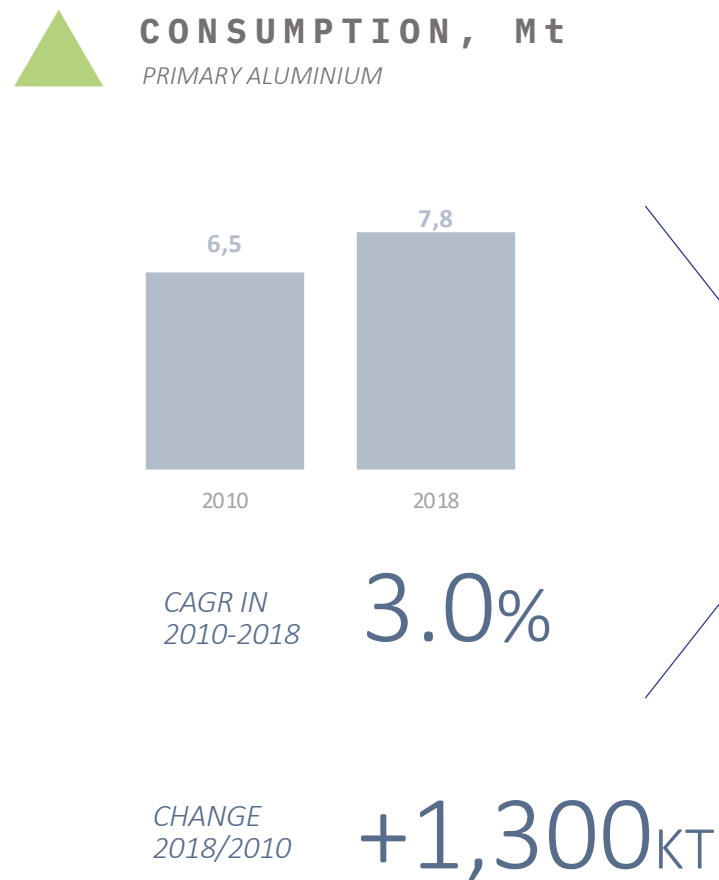
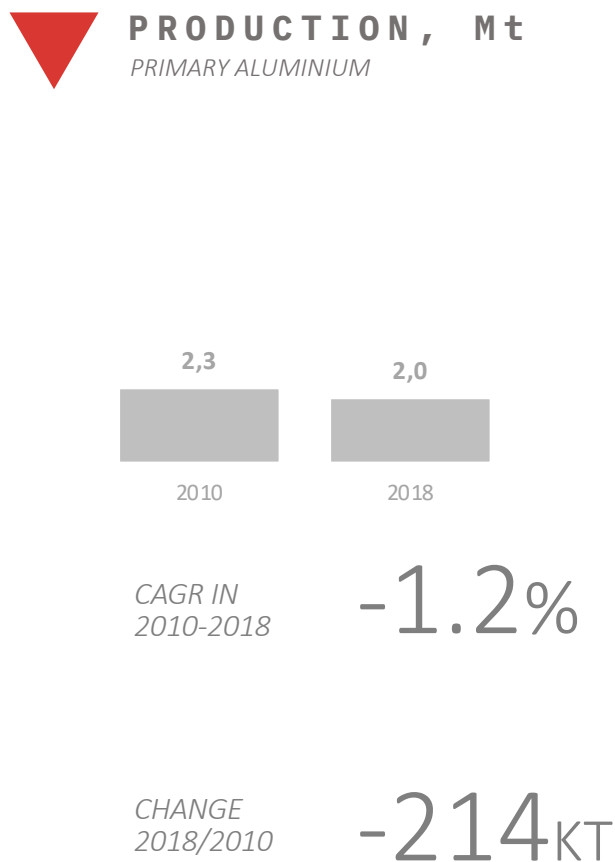
\* 39% of end-use demand represents TRANSPORTATION segment, where the AUTOMOTIVE is a domination part

# EU ALUMINIUM INDUSTRY

## DEPENDS ON IMPORTS



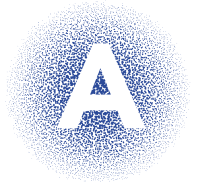
OF ITS RAW MATERIAL (UNWROUGHT ALUMINIUM AND WIRE RODS)



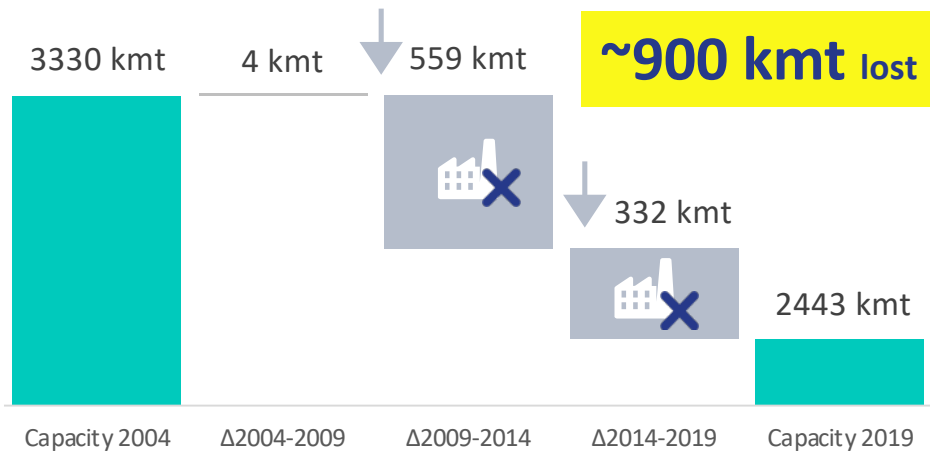


# EU PRIMARY ALUMINIUM INDUSTRY

## LOSES CAPACITY



### PRIMARY ALUMINIUM CAPACITY DYNAMICS IN EU28



$\frac{1}{3}$  of EU primary aluminium **OUTPUT** was **LOST** between 2010 and 2019

7 smelters have closed up shop

38% the **NUMBER** of smelters in operation in the EU decreased in the period 2002-2016

3 smelters are **UNDER THE THREAT** of **CLOSURE** in Spain this year due to structural issues.

### DOMESTIC PRODUCTION DECLINES ON SMELTERS CLOSURES ARE DUE TO:



High **LABOR** costs



Lack of **INVESTMENT**



High **ENERGY** tariffs



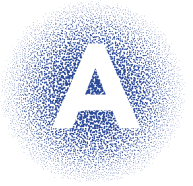
Outdated **TECHNOLOGY**



Pressure from **ENVIRONMENTAL** legislation

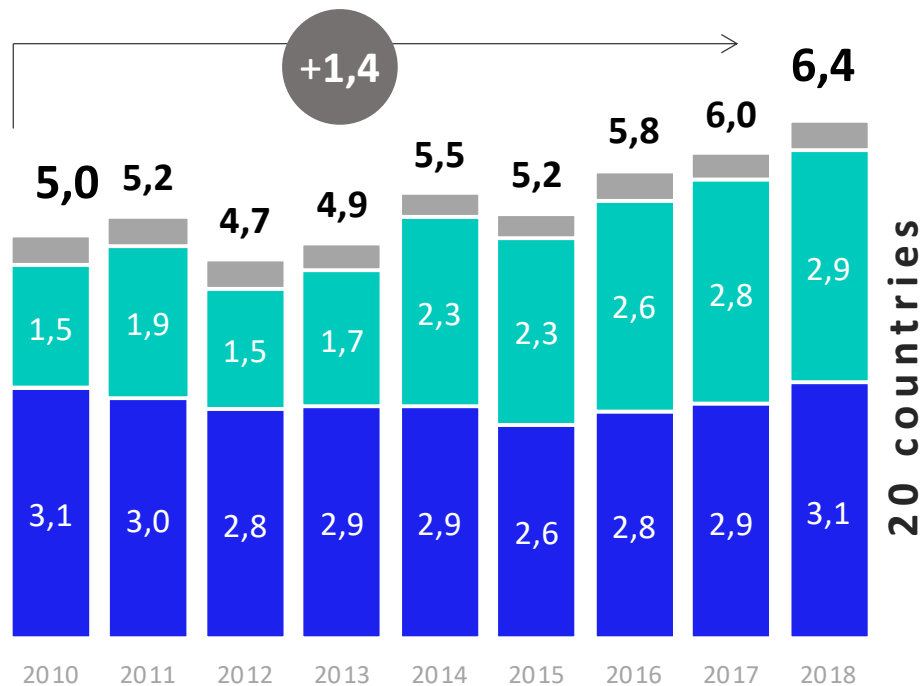
# DEFICIT GROWTH IS COVERED

# WITH DUTIABLE ORIGIN METAL



EU PRIMARY\* ALUMINIUM IMPORTS IN 2010-2018 , Mt

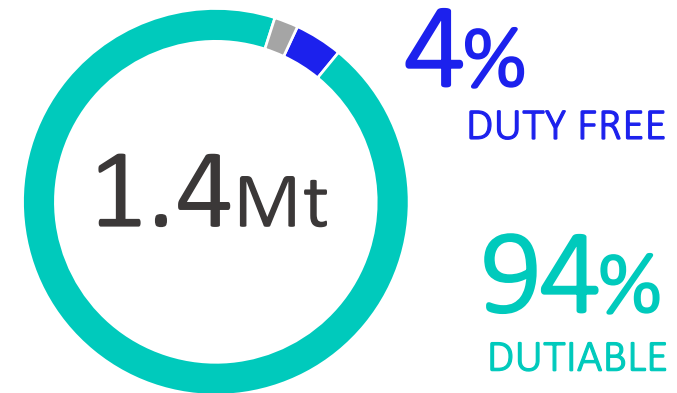
■ DUTY FREE\*\* ■ DUTIABLE\*\* ■ OTHERS



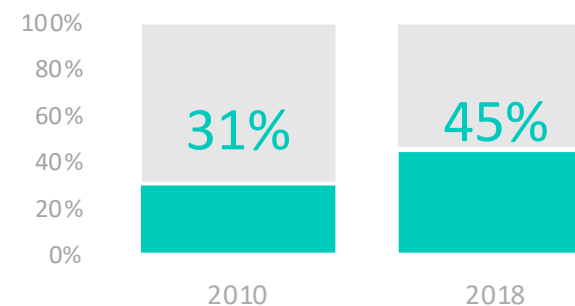
\*HS7601

\*\*represent 95% of total imports

INCREMENTAL GROWTH STRUCTURE, %



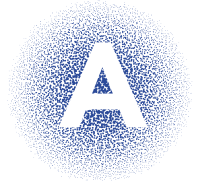
SHARE OF DUTIABLE ORIGIN METAL IN TOTAL IMPORTS, %



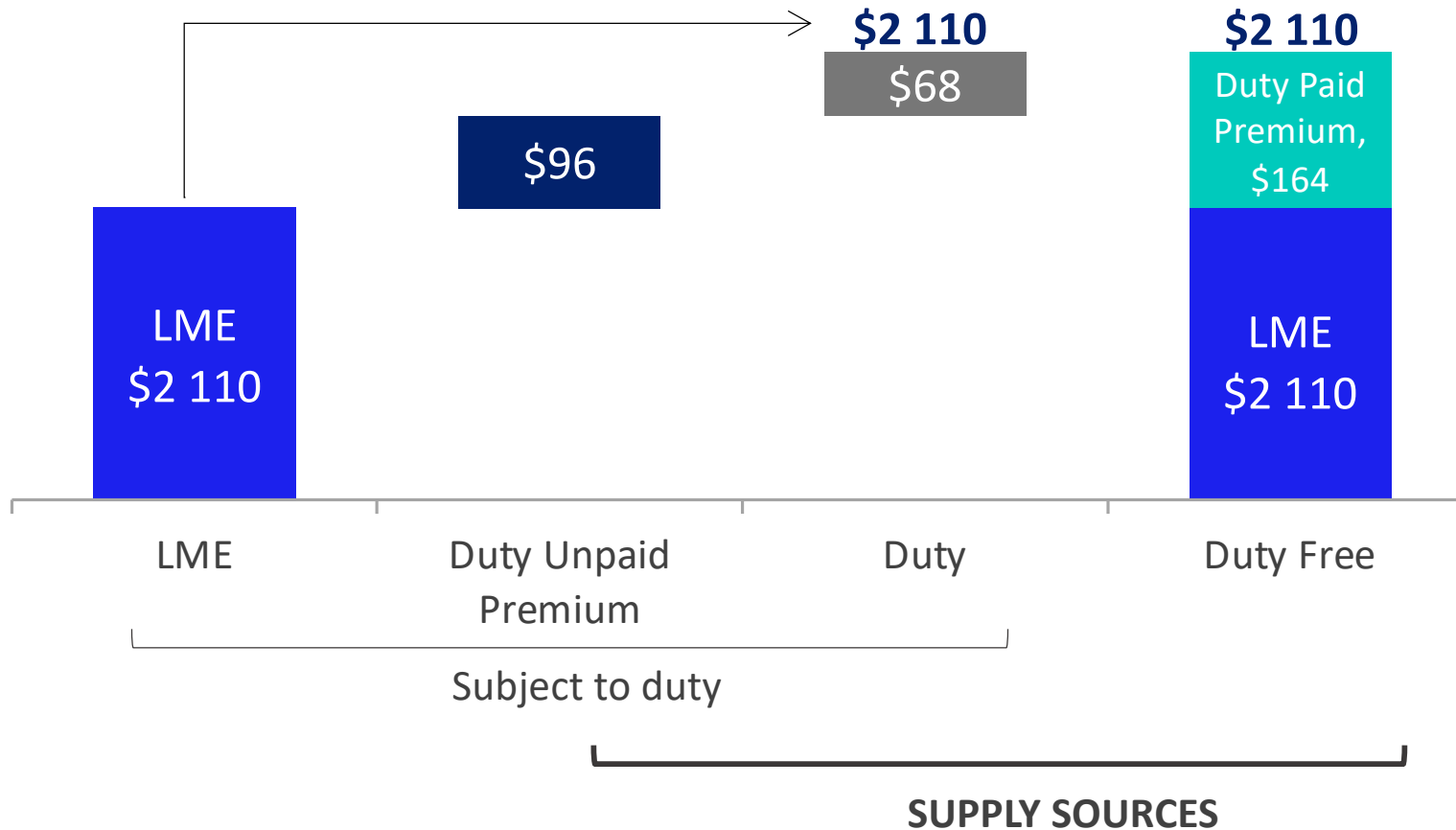
It is economically absurd and damaging to maintain import tariffs on the European aluminium industry's raw material (unwrought aluminium) in a massively import-dependent market



# IMPORT TARIFFS SUSPENSION WILL MAKE A DIFFERENCE



It will benefit downstream transformers, who pay more than they should for their raw material\*

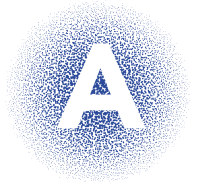


European consumers do not have access to duty-free priced unwrought aluminium in the EU.  
All quantities of aluminium in the EU are sold at a duty-paid price, irrespective of their origin

\* Based on 2018 figures

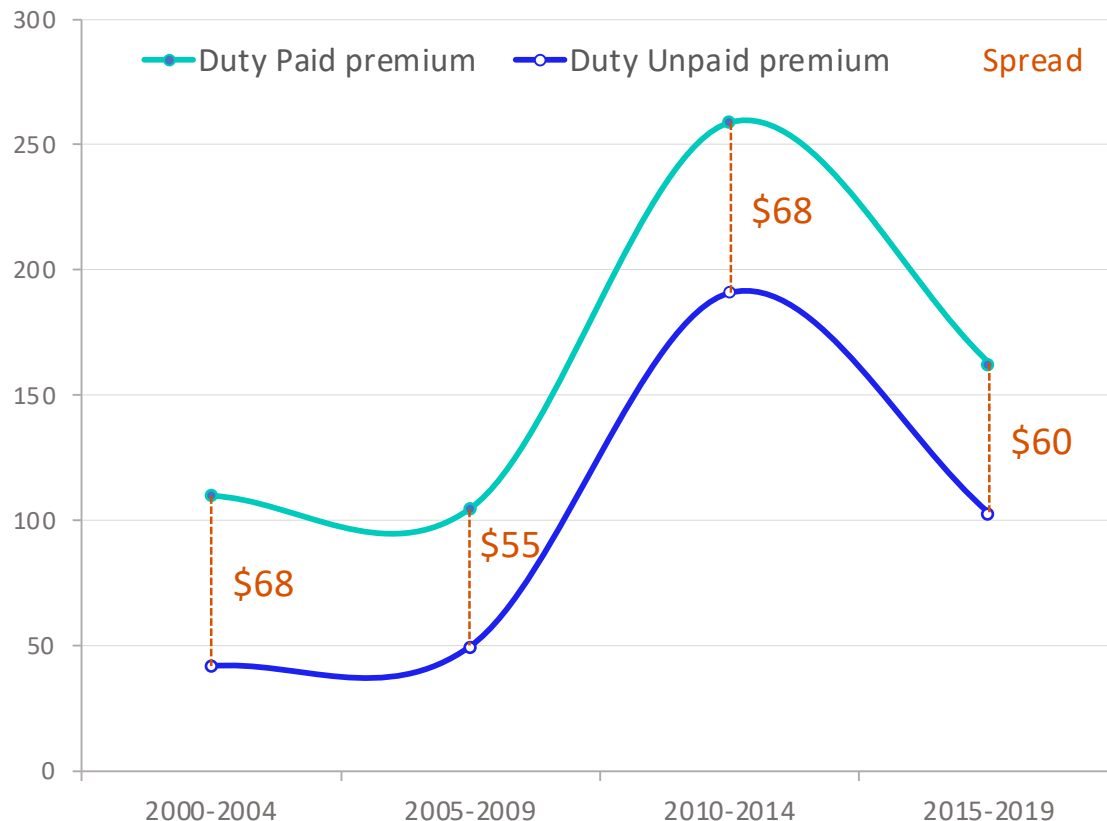
# IMPORT DUTY INFLATED

# ALUMINIUM PRICE



## ALUMINIUM INGOT P1020, IN-WAREHOUSE ROTTERDAM, \$/TONNE

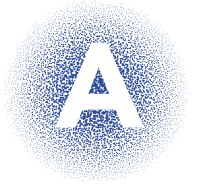
Data is averaged for 5-year periods



- Tariffs applied to imports of unwrought aluminium to EU-28 affect prices of both aluminium originated from dutiable countries and aluminium made in the EU or in countries that entered into zero-duty PTAs with the EU.
- As result, EU market prices for unwrought aluminium always include the custom duty and EU-28 downstream producers pay higher prices for all imported unwrought Al.
- The EU import tariff on unwrought unalloyed aluminium also ends up raising the premium for high purity ingots in the EU market above comparable premiums set in other world regions.
- The import tariffs on unwrought aluminium put upward pressure on premiums for secondary alloys, thus further harming the cost competitiveness of EU downstream transformers.
- This situation generates artificial extra costs of around €1 billion annually for the EU downstream sector, and acts as a hidden subsidy and extra-benefit for EU and non-EU aluminium producers.

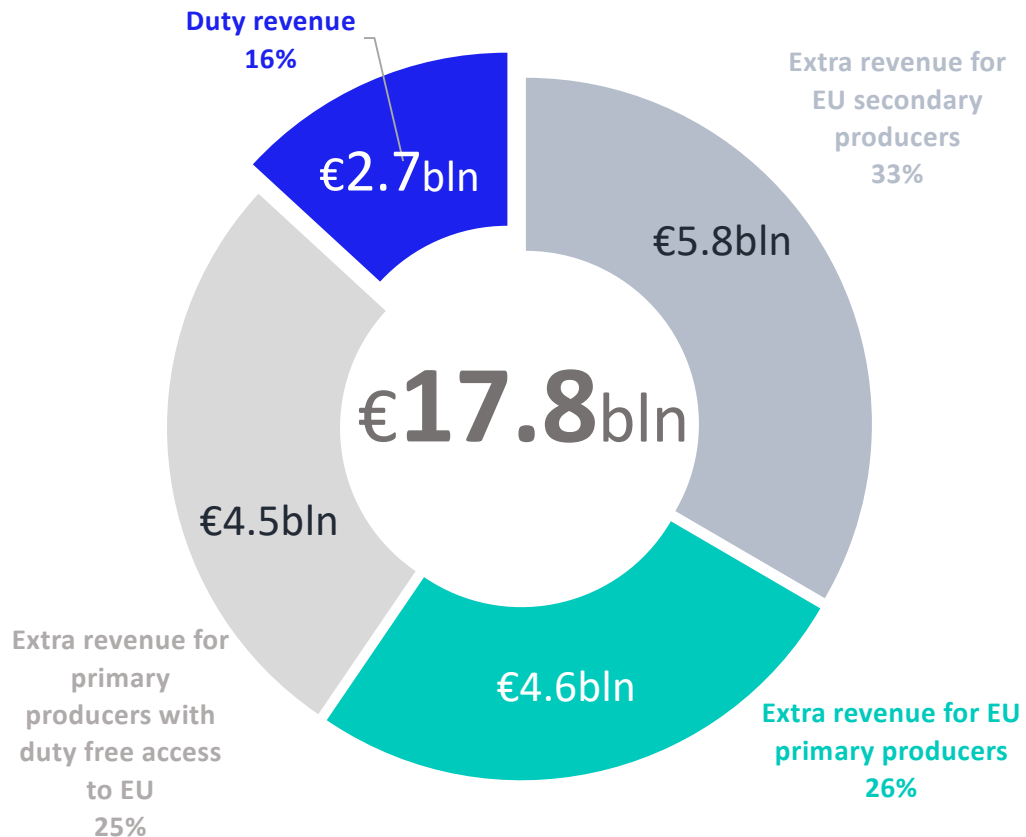


# EXTRA-COSTS FOR DOWNSTREAM



... resulted in “hidden subsidy” effect for EU and non-EU producers

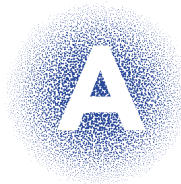
## THE STRUCTURE OF EXTRA-COST FOR DOWNSTREAM



- LUISS estimated the impact of duties on revenues and costs.
- 2000-17 cumulative **extra-costs** for EU-28 **downstream producers** were estimated at **€17.8bn**.
- **Only 16%** of these **extra-costs** were collected in the EU as duty revenue.
- The major part of the **€17.8 billion** was cashed in as extra-revenue by EU primary and secondary aluminium producers.
- Also, **25%** of the **extra-costs** to the EU downstream (4.5 bln) translated into **extra revenue** for **primary aluminium producers with duty free access** to EU-28.
- EU downstream SMEs are unwillingly “subsidising” EU and non-EU producers.
- On average, EU SMEs pay between €80 and €100 more than they should per ton of unwrought aluminium purchased.

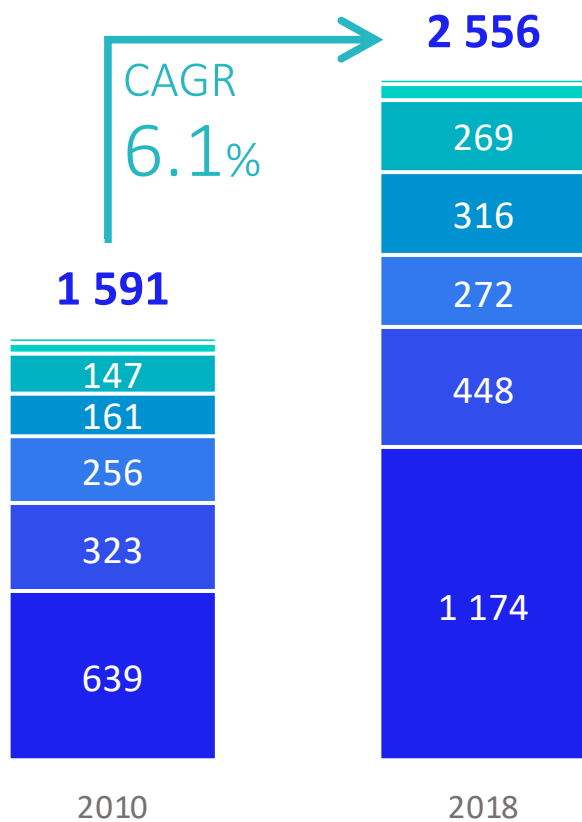
# THE EU DOWNSTREAM INDUSTRY CANNOT MEET

# DEMAND AND LOSES ITS COMPETITIVENESS



ALUMINIUM SEMIS, WHEELS & PARTS  
THEREOF IMPORT IN 2010-2018, KT

COMPOUND ANNUAL GROWTH  
RATE (CAGR)  
OF THE LARGEST PRODUCT  
GROUPS IN 2010-2018



- POWDER & FLAKES (HS 7603)
- PIPES & TUBES (HS 7608-7609)
- WHEELS\* (HS 87087050)
- FOIL (HS 7607)
- WIRE (HS 7605)
- EXTRUSIONS (HS 7604)
- FRP (HS 7606)



8%



1%



9%



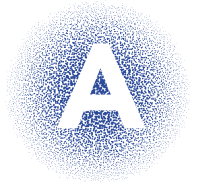
4%



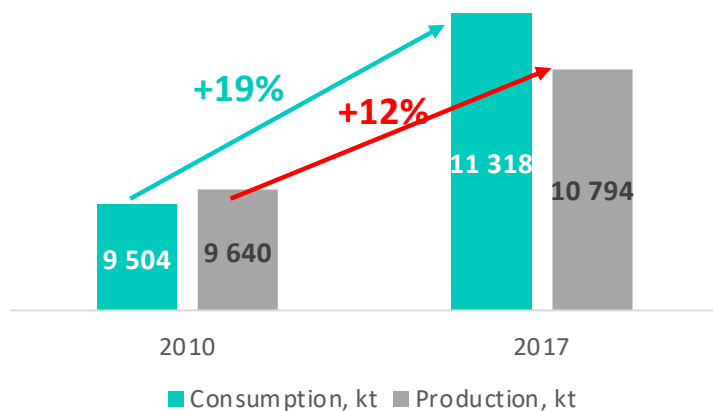
8%

\*ALU ROAD WHEELS, ALU PARTS AND ACCESSORIES THEREOF (HS 87087050)

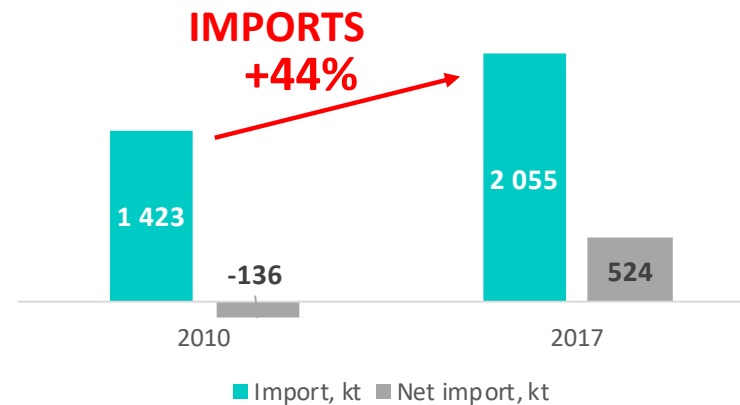
# NEGATIVE EFFECT OF THE DUTY FOR EU DOWNSTREAM



**GROWTH OF SEMIS PRODUCTION LAGS  
BEHIND THE INCREASE OF DEMAND**



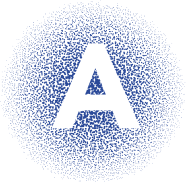
**IMPORTS OFFSET INSUFFICIENT  
DOMESTIC PRODUCTION**



The European downstream has become a net importer from its previously strong net exporter position as downstream producers are unable to invest enough to even meet growing domestic consumption

- EU downstream producers' extra costs of €17.8bln caused by the import duty negatively affected profits, leading to underinvestment in the development of production capacities.
- The share of domestic downstream producers in total demand decreased 21% while imports of semis to the EU increased by 44%.
- By lowering the domestic sales share by 4%, EU downstream producers lost at least €2 bln revenue per year, which brought them at least €200mln less profit annually.
- As result of the underinvestment, the European economy lost at least 14,000 direct jobs which could have been created by European downstream producers.

# EXPORTERS WITH HIGH CARBON FOOTPRINT

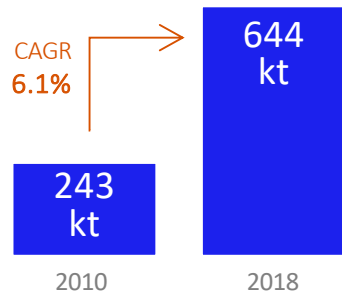


...are gaining steam in the EU market

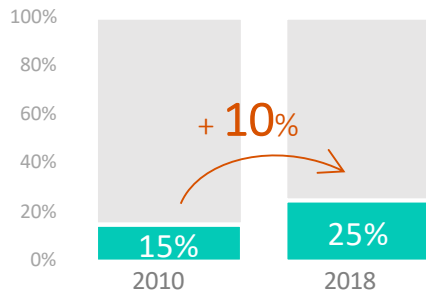


**CHINA: SEMIS\* EXPORTS INTO EU28**

CAGR IN 2010-2018, %



SHARE DYNAMICS IN TOTAL SEMIS IMPORTS, %

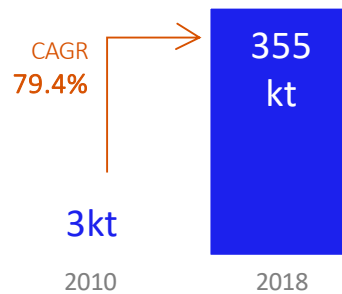


\*including wheels (HS87087050)

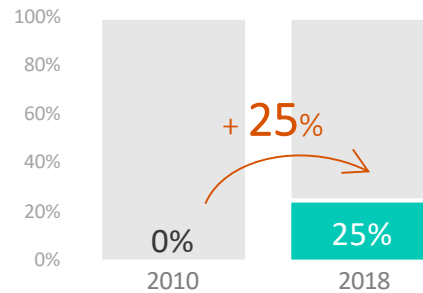


**INDIA: UNWROUGHT\* AL EXPORTS INTO EU28**

CAGR IN 2010-2018, %



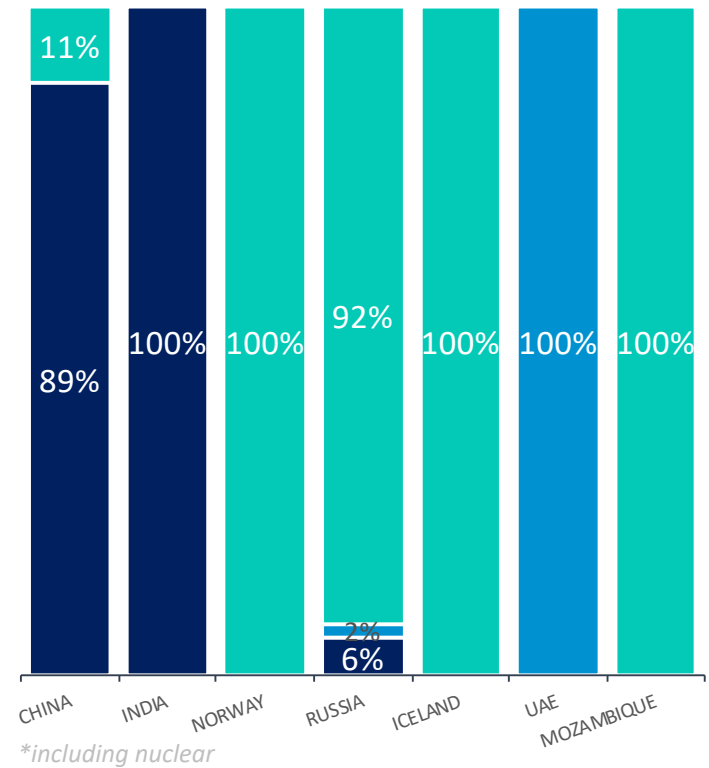
SHARE DYNAMICS IN INCREMENTAL GROWTH, %



\*HS7601

**POWER SOURCE STRUCTURE OF CHINA & INDIA**

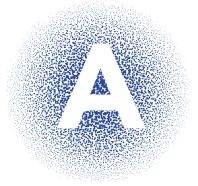
■ HYDRO ■ GAS\* ■ COAL



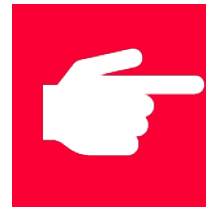
High carbon footprint aluminium imports from Asia not only threaten EU SMEs, but they are also a blow to the aluminium industry's contribution to EU climate goals



# EU IMPORT TARIFFS ON ALUMINIUM



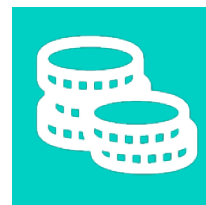
According to the European Commission, the **main argument** for imposing an **import duty** on unwrought aluminium is to **support** the presence of this segment of the **aluminium industry** in the EU-28.



**BUT** sharp **cost disadvantages** for EU-28 **smelters** vis-à-vis their main international competitors comes from **high smelter energy costs**. The additional cost pressure comes from tighter CO<sub>2</sub> regulation. EU smelters are structurally uncompetitive and are closing.



EU-28 is a **net and growing importer** of unwrought aluminium. There are **international aluminium producers** that are based in areas where primary aluminium can be purchased on a duty-free basis, which then **export their semis to the EU-28 on a duty-paid basis**, cashing in the duty-paid/duty-free difference at the expense of EU consumers.



EU-28 **downstream** transformers paid the **same price** for unwrought aluminium from **duty-paid, duty-free and from the domestic EU production**. This additionally **inflates their production costs** and deteriorates their competitive position, while generating artificially high revenues to EU and non-EU aluminium producers.

# INDUSTRIAL POLICY RECOMMENDATIONS FOR THE EU ALUMINIUM INDUSTRY'S COMPETITIVENESS

A



EU import tariffs on unwrought aluminium should be abolished, as they artificially raise downstream costs without offering any appreciable results in supporting the upstream.



The maintenance of primary aluminium production can be justified only by recognising its strategic value for the entire EU economy. Government intervention will be needed to ensure the EU will not be totally dependent on imports.



Secondary aluminium production should be encouraged through appropriate support schemes other than customs duties, by also ensuring that aluminium scrap produced in the EU would be fully recycled and reused domestically rather than exported to third countries. At the same time, EU consumers should not be obliged to pay EU-made secondary aluminium at a duty-paid price.



The suggested suspension of import tariffs on unwrought aluminium would generate additional financial resources (estimated at up to €1 billion per year) for EU downstream transformers' investments. Incentives should be primarily directed to expand innovative, research and technological capacities and to improve sustainability, resource efficiency and environmental performances.

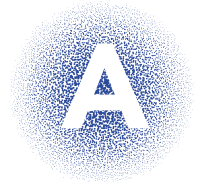


Improving the competitiveness of the whole EU aluminium value chain requires enhancing the co-development and the relationships between EU semi-finished transformers and relevant end-user industries.



To improve policy making, reliable data and economic statistics would be needed, thus allowing to better take into account the overall impact of the proposed measures all along the value chain and, ultimately, on European consumers. There are still important data gaps in the EU aluminium sector. Industry knowledge must improve.

# CONCLUSIONS



- The **EU aluminium industry** is experiencing massive structural changes, with a **strong decline in aluminium primary production** and disinvestment over the past two decades.
- The **competitive advantage of the EU aluminium industry** lies in the technological leadership of the **downstream segments**, i.e. producing innovative semi-finished products for many end-user industries.
- The aluminium downstream sector accounts for about **70% of the annual turnover** and **92% of the total employment** in the EU aluminium industry, while **purchases of unwrought aluminium** are no less than **50% of total production costs** for downstream transformers.
- Rising dependency on imports of raw materials and intensifying competition from third countries are **increasingly influencing the competitiveness of EU downstream activities**.
- **EU import tariffs on unwrought aluminium** have been **ineffective to sustain primary aluminium production**, while **imposing additional costs to downstream transformers up to €17.8 billion** between 2000-2017. The extra-costs for EU downstream producers resulted in additional revenues for EU primary and secondary producers and primary producers with duty-free access to EU internal market.
- The LUISS study suggests **to abolish import tariffs on unwrought aluminium**, to define ad-hoc measures for primary and secondary production, and **to provide incentives to downstream transformers** to expand their innovative and technological capabilities and **to enhance the relationships with relevant end-user industries**.
- FACE calls for urgent action from EU leaders and stresses that the full suspension of EU import tariffs on unwrought aluminium is a policy tool immediately available to support this strategic sector. Trade policy measures must support competitiveness and growth as a priority.





Federation of Aluminium Consumers in Europe  
Rond Point Schuman 6, Box 5 B-1040 Brussels Belgium

Mr. Mario Conserva, Secretary General

Ph. +39 335 7194359, E-mail: [m.conserva@face-aluminium.com](mailto:m.conserva@face-aluminium.com)

Web site: <https://face-aluminium.com/>