FEDERATION OF ALUMINIUM CONSUMERS IN EUROPE

Feedback on DiversifyEU public consultation

27 October 2026

Because aluminium is a strategic material and industry, it requires special attention within the new EU's economic security policy, and with respect to the Union's fundamental objectives on strategic resilience, strategic autonomy, access to raw materials, diversification and realignments of supply chains, de-risking, trade and competition policy, competitiveness, sustainability, and support to its industrial base, notably SMEs.

Key particularities of the EU's aluminium industry imply thinking counter-intuitively about the parameters set out by the EU Commission for its public consultation on critical products and diversification (DiversifyEU). These particularities are:

- The EU aluminium industry workforce is at more than 90% downstream and mostly in SMEs. The downstream sub sector represents more than 70% of the EU's aluminium output. This is a low margin industry, where the purchase of the raw material, primary and secondary aluminium, represents 60 to 80% of production costs.
- The EU has lost around 65% of its primary production capacity in the past 25 years and now has a structurally growing import dependency above 85% for primary aluminium. Due to high energy and other costs, it is unlikely that new capacities will be added in the EU or will stand the test of times and of electricity contracts in a way commensurate with the deficit and ever growing demand for aluminium products.
- The recycling business, even in the most ambitious scenario, and assuming that the current crisis of massive scrap exports can be solved, cannot sufficiently reduce our widening primary aluminium gap, because in most applications, secondary aluminium cannot be used alone, but must be blended in a range of 30-40% with primary aluminium, and for many aluminium products, only primary aluminium can be used. Therefore the forecasted growth of aluminium demand in our market will mechanically continue to increase our metal deficit in the foreseeable future.
- Against this backdrop, the EU maintains an economically absurd and destructive import tariff structure of 6% for unwrought aluminium in a massively import-dependent market. This makes aluminium more expensive in the EU than in competing markets, putting our low margin industry at a severe disadvantage.
- Furthermore, EU market operators systematically benchmark aluminium pricing with the 6% import tariff level. In other words, an equivalent of the 6% import tariff is embedded in the regional EU market premiums irrespective of the origin of the metal. This premium structure applies to primary and secondary aluminium identically whether it is produced in the EU, imported from duty-free origins or from dutiable origins. As a consequence, there is no primary and secondary aluminium available in the EU at a duty-free level of price. This mechanism has been historically denounced by FACE as a de facto hidden subsidy to producers at the expense of the entire independent downstream subsector. This represents at current pricing and premium levels an annual overcost of almost 2 billion euros, that is borne by the vulnerable downstream SMEs, while the vast majority of this amount is cashed in by primary and secondary producers within the EU and outside the EU by smelters in duty free origins.
- One of the shocking consequences of this situation is that the expansion of the EU's free trade agreements does not bring relief to the downstream sector, as all quantities sold in the EU continue to embed the 6% equivalent extra-premium. The benefit goes to the extra-EU, duty-free smelter, not to the EU consumer. The 6% import tariff status quo also violates art 16 of the

EU Charter of Fundamental Rights, on the freedom to conduct a business, as the entire EU's downstream aluminium sector does not have the freedom to purchase its raw material - primary and secondary aluminium - at a duty-free level of price, despite FTAs covering the vast majority of import origins and the presence of domestic EU primary and secondary production.

- The aluminium industry being concentrated, the same major producers happen to own EU and duty-free based smelters and cash-in the artificial extra price paid by all EU downstream aluminium purchasers and end users. The extra price paid by all EU consumers of primary and secondary aluminium is now above 100 euros per ton. EU recycling players also cash in as metal recycled in the EU is also sold at a duty paid premium.
- Internal distortion of competition therefore exists in the EU between integrated and independent transformers when it comes to purchases of primary aluminium. It is necessary to tackle international distortions of competition but it is equally necessary to tackle intra-EU distortions and this implies, inter alia, the total suspension (0%) of the import tariff structure for unwrought aluminium.
- It is noteworthy that the same industry players and representatives who lobby to maintain an import tariff on unwrought aluminium in an import dependent EU, which artificially increases prices, are the ones who have also lobbied for a ban of Russian aluminium, which has also contributed to increase prices and to reduce supply options, to their benefit but at the expense of the entire European aluminium value chain downstream - aluminium transformers and end user industries. As a consequence, the EU looks more and more as a captive market where downstream SMEs are sacrificed.

How does this matter to DiversifyEU?

In the strategic aluminium sector, the competitiveness, economic security, de-risking and diversification policies must be assessed primarily from the specificities described above and in a downstream perspective, because transformer SMEs represent the backbone and real growth potential of our industry, and because EU primary smelters sell around 95% of their output to their regional EU downstream customers, therefore the fate of the remaining EU primary production base is intertwined with the vitality and vulnerabilities of the downstream subsector. This is evident when we look at the industry not from short financial profit perspectives but with the lenses of industrial policy and economic security.

There is no economic security for a low margin downstream sector facing fierce international competition with avoidable billions in extra costs because of the import tariff structure on unwrought aluminium, to which we must add now potentially more than 3 billion euros annual additional CBAM costs and the price-inflating ban on Russian aluminium, which removed 1 million tons annually of reliable, competitive, low carbon primary aluminium, supplied for 20 years.

It must be noted that while this ban severely impacts the EU industry, it has a negligible effect in Russia, where aluminium represents less than 1% of the GDP, and as the previous sales of the sole exporter to the EU, a private company, were not even a direct revenue for the State, which collected only taxes on the profit; while the quantities no longer sold to Europe have been redirected towards our most formidable competitors in Asia. A textbook case of self-inflicted damage without any impact on Russia's ability to finance its war economy.

The situation today is that the 6% tariff penalises our downstream industry and negates duty-free supply diversification because there is no duty-free aluminium available in the EU irrespective of origin and of the expansion of FTAs.

At the same time the aluminium ban has created a new vulnerability, over-exposing the EU aluminium industry to geopolitical risks on supply routes: the loss of GCC exports and also the risk that Canada will reorient its exports to the U.S. when a tariff reduction occurs.

The ban, GCC losses, and the possibility of a redirection of Canadian exports towards the U.S., which is competing against the EU to attract metal, could deprive in total the EU of more than 3 million tons of primary aluminium supplies in 2027-28, while we must import more than 5 million tons annually. Other origins such as Iceland, Mozambique, etc, have been idled, are distant, costly and probably not a perennial substitution, and they themselves - and new capacity announcements - remain conditional on State aid and on the possibility to maintain competitive electricity contracts. The instability in the Middle East-Iran-East Africa triangle remains a high risk.

Another and new risk for both EU primary aluminium production and extra EU supplies is the growing inability of aluminium smelters to compete with the Big Tech/data centers/AI industry for electricity prices, and also the new trend among some primary aluminium producers to sell the spaces liberated by their idled or closed capacities to the more profitable AI business. In other words, instead of planning to rebuild lost capacities, some primary aluminium producers are instead converting or considering to convert part of their facilities and existing electricity systems for more profitable AI infrastructure. These two new trends risk further aggravating the raw material supply equation for the EU aluminium industry in a context where EU downstream aluminium manufacturing is increasingly replaced by imports of semi finished and finished products, a dynamic that has been exacerbated by the aluminium ban of the 16th package.

FACE's key policy recommendations:

- an urgent full (0%) tariff suspension on unwrought aluminium
- an impact assessment of the ban on Russian aluminium and 2027-2028 outlook
- at the July 2027 revision of the sanctions, a decision on a derogatory quota commensurate with the needs of the EU downstream industry and as a supply security base at a competitive price and lowest carbon footprint
- a clear definition of low carbon aluminium, and at the minimum trade liberalisation and CBAM exemption for low carbon primary aluminium imports
- the creation and monitoring of a new category of "unfair green goods"; green goods which are a legitimate low carbon claim/label but unfairly produced and traded, and strong trade defence instruments against them
- robust measures to maintain scrap within the EU in parallel with incentives for higher scrap use (administrative simplification, technology development for collection and sorting, incentives and support for SMEs, financial schemes to reduce energy costs)

- assertive development of civil nuclear energy and in particular SMRs and micro reactors to allow for the reconstruction of a strong EU production base in energy intensive industries

The annex attached develops some of our points.

FEDERATION OF ALUMINIUM CONSUMERS IN EUROPE (FACE)

FACE was founded in 1999 to specifically defend the interests of the EU independent downstream aluminium transformers, users and consumers.

Based in Brussels, FACE advocates for the liberalisation of raw materials, protecting the EU's manufacturing base, supporting a rules-based and fair international system with the WTO at its core, and for the global transformation towards a low-carbon economy with aluminium as the ideal material for attaining sustainability goals.

https://face-aluminium.com/

Annex

Analysis of the EU's aluminium sector's state

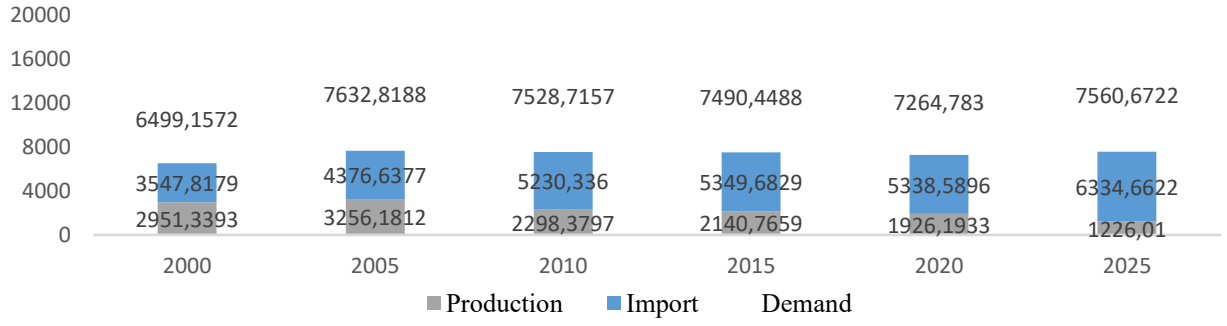
Sept 2026

1. The EU is facing a severe structural deficit in aluminium

The transformation of the EU's aluminium industry has been ongoing for over 25 years, shifting from the 2000s when domestic primary producers covered 45-50% of the demand and provided market equilibrium, to the late 2010s and 2020s when local production plummeted to ~15% of demand and less due to significant cost hikes, leading to a post-2022 market entirely driven by the demand side and opportunistic importers.

Aluminium prices on LME have surged 18% — from $2,800/tonne in December 2025 to nearly $3,300/tonne in October 2026, with forecasts pointing toward $4,000/tonne. The trigger is the Middle East crisis: closure of the Strait of Hormuz and strikes on smelters in the UAE and Bahrain that have disrupted supplies from a region accounting for ~9% of global production (~7 Mt/year). Economists forecast a supply deficit exceeding 2 Mt by year-end against global stocks of no more than 1.5 Mt. The situation is critical for Europe: the EU imports ~85% of its aluminium consumption, while the 16th sanctions package has also curtailed Russian primary metal[1].

EU's primary aluminium (HS7601) demand structure (2000-2025), 000'tonnes



Over 1 million tonnes per annum of European capacity remains idle post-energy crisis alongside ~15% of EU recycling furnace capacity, pushing the 2026 global market into an

[1] https://www.techniques-ingenieur.fr/actualite/articles/la-menace-d-une-penurie-d-aluminium-fait-trembler-l-industrie-europeenne-158967/

expected deficit of ~200 kt in the base case, which could widen with outages in Mozal or other smelters[2].

EU aluminium deficit persists despite domestic smelters restarts

In the near term, the EU's domestic production capacity is expected to be partially restored; however, forecasts indicate this will only increase production from 1,226 thousand tonnes in 2025 to a max 1,500 thousand tonnes by 2030, which may decrease dependency by 2-4% at best.

Slovalco is currently executing a gradual restart of its aluminium smelter in **Žiar nad Hronom**, Slovakia, following an operational shutdown that began in late 2022. The restart kicked off on August 28, 2026 targeting 75,000 tonnes of annual capacity (100 out of 226 pots), while the remaining 100,000 tonnes of capacity will stay offline depending on the future market situation and power costs[3].

Primary aluminium production at the **San Ciprian** aluminium smelter in Spain was fully suspended in December 2021. The primary driver was the unprecedented surge in European energy prices, which made running the heavy electrolysis potlines financially unviable for Alcoa.

The physical restart of the smelter was successfully completed on April 7, 2026. Following a temporary financial joint venture with Ignis Equity Holdings to fund the operations, the plant's owner, Alcoa Corporation, took back 100% full ownership of the facility in July 2026. Under the current operational framework, the smelter is running at a minimum of 75% of its total nominal capacity (which stands at 228,000 tonnes per year)[4].

Despite the technical success of the restart, Alcoa has noted that the long-term viability of the plant remains heavily challenged due to severe ongoing financial losses at the adjacent alumina refinery and the lack of a competitive, stable long-term energy agreement for the region.

[2] https://think.ing.com/articles/aluminium-deficit-will-support-prices-in-2026/

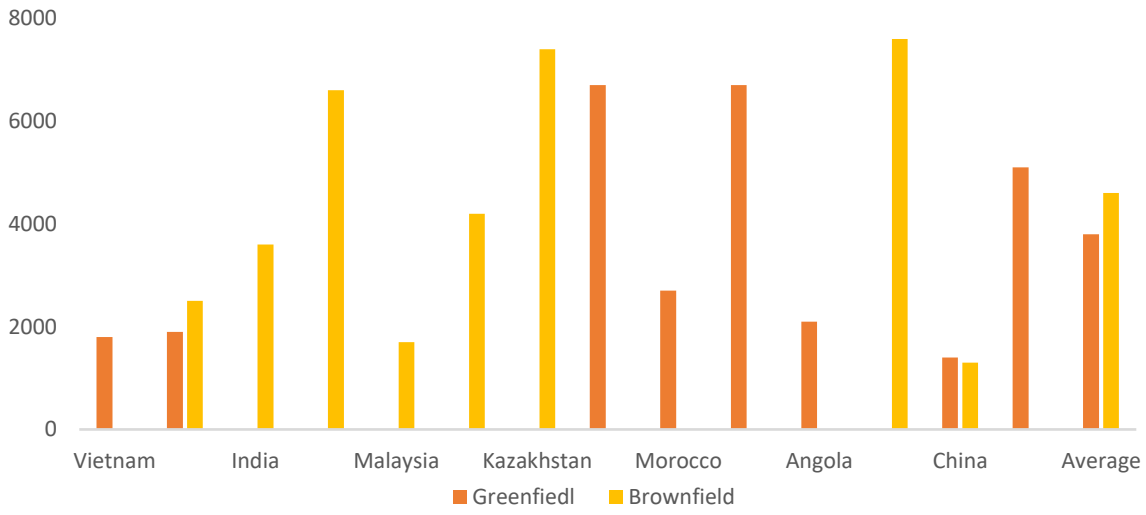
[3] https://aluminiumtoday.com/news/slovalco-to-restart-aluminium-smelting

[4] https://aluminiumtoday.com/news/san-ciprian-smelter-resumes-restart

2. Aluminum capacities in Europe cost double, while subsidies close only part of the gap

Building a new aluminum smelter from scratch costs roughly $3600 per tonne of annual capacity in most regions (Middle East, Southeast Asia), while modernizing an existing plant—replacing old electrolyzers or adding lines—costs $4400/t. Europe is significantly more expensive due to strict environmental rules, high construction costs, and advanced low-carbon technology requirements[5]. Project Arctial in Finland, for example, reaches ~$6700/t because it includes next-generation inert-anode cells, dedicated renewable power, and entirely new infrastructure.

Average CapEx per tonne of aluminium by country:



Acquisition data confirms the same picture. Alba recently agreed to buy Aluminium Dunkerque (~300 kt/y) for ~$2.2 billion, implying ~$7300/t for an already-operating asset. In other words, building a brand-new smelter in the Gulf would cost less than simply buying an existing one in France. Overall, EU projects are 4-5x more expensive than in China or Indonesia. Support mechanisms such as CRMA Strategic Project status, green subsidies, and tax incentives narrow this gap somewhat by offsetting part of the capital burden, but they do not bring European costs down to global averages—the underlying premium driven by labour, regulation, and construction standards persists[6].

[5] Aluminium's green transformation: can Europe compete with China and the US? | articles | ING THINK

[6] https://www.reuters.com/commentary/reuters-open-interest/so-you-want-build-your-own-metals-smelter-andy-home-2026-07-15/

3. Technical complexity and substantial funding demands drive up the cost of smelter restarts for the industry

The financial reality of restarting Alcoa's San Ciprián smelter proved that the comprehensive cost easily exceeded several hundred million dollars, far surpassing initial estimates. While the publicly disclosed capital expenditure (CapEx) allocated strictly for the physical restart was only about $10 million, the operational financing required was substantially higher. To fund ongoing operations, Alcoa and IGNIS injected $108 million into their Joint Venture. Furthermore, following project delays, the expected operational cash expenditures for the plant in 2025 alone ballooned to between $110 million and $130 million.

The financial requirements to bring the Slovalco facility back online involve both massive upfront investments and heavy annual subsidies. Public sources estimate that the capital required strictly to restart all the manufacturing pots and furnaces sits at approximately €100 million. Beyond this initial investment, the financial viability of the plant depends on continuous state backing. Slovalco requires roughly €50 million annually in the form of emission allowance compensations and refunds, alongside the necessity of securing a highly competitive, long-term commercial power contract.

A combined restart cost exceeding $200 million for two European aluminium facilities seriously undermines the economic rationale behind the project.

4. Neighbouring non-EU European suppliers cannot alleviate the shortage

The crisis in European metallurgy is not confined to the EU block; non-EU European producers have suffered a parallel negative scenario in 2000-2026, heavily driven by skyrocketing energy costs, carbon regulatory pressures, geopolitical conflicts, and infrastructure failures. This systemic decline has critically undermined Europe's regional self-sufficiency, driving up the EU's structural import dependence on third countries.

As Europe's largest non-EU primary producer, **Norway** utilizes hydropower, but its operators have still been forced into tactical curtailments to mitigate regional energy anomalies and demand shocks. In August 2022, Alcoa curtailed one-third of its capacity (~31,000 tonnes) at the Lista plant due to extreme exposure to spot electricity prices peaking over $600/MWh. In late 2022, Norsk Hydro partially curtailed production by

110,000–130,000 tonnes across these two sites due to a cooling European market and localized energy strains[7].

Iceland also faced severe operational shocks in the 2025–2026 period. In October 2025, Century Aluminium's Nordural Grundartangi facility suffered a catastrophic electrical equipment failure, forcing a sudden two-thirds production cut. This immediately shook the Western European market. Repairs progressed ahead of schedule, with a phased return to full capacity in April 2026[8].

The UK has seen a near-total collapse of its primary aluminium smelting sector over the last two decades. The Rio Tinto/Kaiser joint venture in Wales (145,000 tonnes/year) ceased smelting operations after its low-cost power contract with the Wylfa nuclear power station expired. Rio Tinto Alcan permanently shut down the 40-year-old Lynemouth facility (144,000 tonnes/year) due to the soaring costs of compliance with UK/European environmental regulations and energy taxes. By 2026, only the tiny Lochaber smelter in Scotland (operated by Alvance/GFG Alliance, ~40,000 tonnes/year) remains operational and mostly meets domestic needs for aluminium.

The Western Balkans suffered a massive blow as their legacy, Soviet-era energy-intensive smelters failed to cope with power costs.

KAP was once the backbone of **Montenegro**'s export economy (120,000 tonnes capacity). In December 2021, the operator (Uniprom) shut down all remaining active cells after failing to secure a sustainable electricity price contract with the state utility EPCG[9].

Aluminij Mostar in **Bosnia and Herzegovina** (130,000 tonnes/year) shut down its grid overnight in July 2019 after accumulating massive debts due to soaring market electricity prices, leaving the country entirely reliant on imported aluminium billets[10].

Once the import quota for **Russian Federation** expires in 2026 as set in the EU's 16th package of sanctions, the EU will lose one of the most reliable and strategic suppliers of raw materials, and EU downstream transformers will lose a substantial share of their attractiveness for their consumers: a) their prices will be less flexible; b) risks of supply interruptions; c) any quality issues and pretension work will become more complicated; d)

[7] Hydro partially curtails two aluminium smelters in Norway due to reduced demand - Fastmarkets

[8] Temporary production halt at Iceland aluminium smelter

[9] Montenegro's Uniprom ceases aluminium production at KAP - report | Montenegro Investments News | SeeNews

[10] Bosnia's Aluminij Mostar smelter closes operation on Wednesday midnight over huge debt; Aluminium Extrusion, Profiles, Price, Scrap, Recycling, Section

financial instability of downstream companies becomes a substantial factor of supply interruption risk. After the already occurring gradual decline in downstream aluminium production, it will lead to a deeper dependence of the EU on the imports of aluminium semi - finished and finished products. Russian low carbon aluminium, once playing a major role on the EU market, has been redirected to Asian markets. This has driven up premiums for non-Russian aluminium, making sourcing more expensive for the EU consumers and reducing the availability of low-carbon metal.

5. **FTA with India will actively accelerate the collapse of the EU aluminium industry**

India’s production heavily relies on coal, resulting in a carbon footprint roughly three times higher than the European average. Structurally, European primary producers are at a severe economic disadvantage: the average production cost across the EU stands at $2,450 per ton (ranging from $2,130 in Greece to $2,850 in Romania), whereas India’s production cost is just $1,780 per ton—making it 27.5% cheaper.

Consequently, granting duty-free access to Indian metal does not offer a viable or equivalent alternative to low-carbon Russian aluminium. Instead, it incentivizes the import of high-emission materials over a significantly longer maritime route, increasing both transport costs and the overall global carbon footprint. This influx of cheaper, carbon-intensive imports threatens to decimate the EU's remaining primary smelting capacities, accelerate deindustrialization, and create severe, long-term supply chain vulnerabilities for the European downstream sector, ultimately undermining the Union's strategic autonomy and decarbonization agenda.

6. **Key EU’s suppliers located in remote global regions are currently experiencing severe crises**

The Mozal Aluminium smelter in **Mozambique** was placed on care and maintenance and halted operations on March 15, 2026. Majority owner South32 failed to secure a sufficient and affordable long-term electricity supply agreement past March 2026 after six years of talks with the Mozambican government, Eskom, and Hidroeléctrica de Cahora Bassa (HCB). The plant remains idle while stakeholders, including South Africa's Industrial Development Corporation (IDC), evaluate future ownership options, potential

restructuring, and feasibility solutions to eventually restart the facility[11]. Prior to the shutdown, Mozambique was the top supplier of primary unwrought metal to the bloc. In the first 10 months of 2025 alone, Mozal shipped nearly 430,000 metric tonnes to the EU, accounting for roughly 20% of the bloc's entire primary aluminium imports[12].

The core European countries bearing the brunt of Mozal's shutdown:

Country	Import Dependency	Alternative Sources	Price Impact Risk
Netherlands	34% of total imports	Norway, Russia, UAE	High
Italy	30% of total imports	Germany, France	Medium-High
Germany	9% of total imports	Domestic, Norway	Low-Medium
Spain	25% of total imports	Morocco, Norway	Medium-High

To fill the 560,000-tonne annual void, European buyers are increasingly relying on alternative global producers.

Heavy shipments are being rerouted from **Middle Eastern producers** (such as Emirates Global Aluminium and Ma'aden), though these lines face separate logistical constraints due to regional geopolitical conflicts.

8. The Middle East conflict is further disrupting Europe's aluminium supply

The EU drastically increased its reliance on the Gulf Cooperation Council (GCC) countries (such as the UAE, Bahrain, Qatar, Saudi Arabia, and Oman). This reliance intensified after the EU began phasing out Russian aluminium imports. Consequently, the Middle East grew to account for 14% to 20% of all EU aluminium imports (almost 1,2 million tonnes in 2025) used heavily in the European automotive, aerospace, and construction sectors.

[11] Mozal Aluminium placed into hibernation

[12] https://discoveryalert.com.au/global-manufacturing-african-infrastructure-challenges-2026/

EU's total aluminium (HS7601) import by country, 2022-2025:

2022		2023		2024		2025	
Norway	1 382 616	**Norway**	1 375 388	**Norway**	1 337 975	**Norway**	1 340 665
Russia	786 921	**Iceland**	758 452	**Iceland**	754 291	**Iceland**	741 970
Iceland	724 361	**UAE**	667 950	**UAE**	526 852	**Canada**	593 056
UAE	628 132	**India**	589 906	**Mozambique**	449 841	**Mozambique**	573 814
India	576 125	**Russia**	512 153	**Bahrain**	389 340	**Bahrain**	476 113
Mozambique	564 908	**Mozambique**	453 306	**Russia**	323 126	**UAE**	454 314
Bahrain	320 011	**Bahrain**	346 831	**India**	256 497	**Russia**	303 085
UK	233 098	**UK**	189 923	**UK**	203 626	**India**	247 621
South Africa	166 679	**South Africa**	173 301	**South Africa**	176 110	**UK**	218 719
Türkiye	120 965	**Malaysia**	151 859	**Canada**	157 917	**South Africa**	196 244
Total	6 594 548	**Total**	6 344 519	**Total**	5 822 502	**Total**	6 334 662

Following severe industrial disruptions earlier this year caused by regional conflict and missile/drone strikes the operational landscape for primary aluminium smelters in the Middle East has entered a phase of accelerated capacity restoration[13].

EGA's **Al Taweelah** facility in Abu Dhabi suffered a major hit from an Iranian missile strike in March, causing cast metal production to drop significantly in H1 2026. The smelter resumed limited operations in May. According to updates on EGA's Al Taweelah Restoration Program, the site is accelerating its recovery using a $400 million budget. Hot

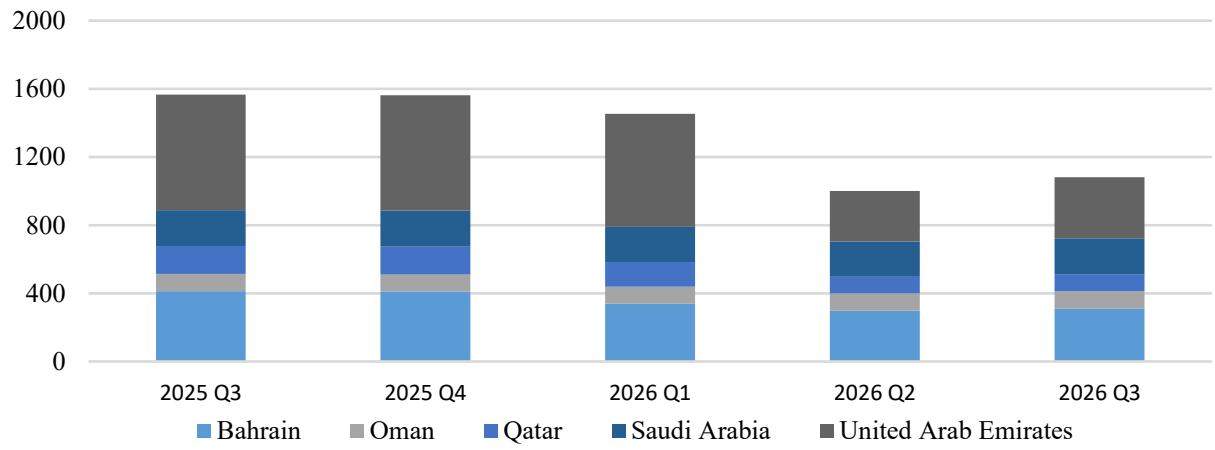
[13] Restoration for one smelter in Middle East Initially Completed; YoY Decline in Aluminium Output Narrows to 2.4% - Shanghai Metals Market (SMM)

metal production is projected to reach full pre-incident capacity by Q1 2027. The adjacent Al Taweelah alumina refinery is currently running at 50% capacity[14].

Following a drone attack on the Ras Laffan LNG export terminal in March that disrupted local gas supply grids, **Qatar's Qatalum** has maintained a controlled reduction, operating at roughly 60% of its normal capacity[15].

In March 2026 **Alba** executed a controlled shutdown of Reduction Lines 1, 2, and 3, removing roughly 300,000 tonnes per year of active capacity (~19% of its nominal capacity)[16].

Middle-East primary aluminium capacities during the conflict with Iran, tonnes



9. Logistical vulnerabilities: the impact of Middle East conflict on EU aluminium

Drone and missile threats in the Red Sea forced major shipping lines to abandon the Suez Canal. Diverting ships around the Cape of Good Hope adds 10 to 14 days to voyage durations. Furthermore, tensions around the Strait of Hormuz directly threaten the physical outbound shipping of primary ingots from major Gulf smelters.

Now European consumers must search for alternative sources in other countries, the logistical costs of which are higher and lead-time is much longer. In addition, long transportation has a much higher carbon footprint that undermines the EU's sustainability goals and green transition efforts.

[14] EGA delivers resilient H1 2026 performance

[15] https://www.hydro.com/en/global/media/news/2026/qatalum-maintaining-scaled-down-aluminium-production/

[16] Alba runs at 1.3 mtpa as Bahrain smelter navigates Middle East disruptions

Lead time of suppliers to the EU comparison

Supplier to the EU/country	Lead time/days
Australia	50-65
GULF (UAE/Bahrain)	25-45
Canada (East coast)	15-20
South Africa	26-36
Malaysia	33-45
India	30-45
Russia	5-6

Under current geopolitical conditions, the European aluminium industry remains highly vulnerable to ongoing supply chain disruptions and logistical bottlenecks. While the threat of physical route blockages and delayed shipments continues to pose a persistent risk, the financial reality for EU end-users has already shifted. The economic consequences—characterized by skyrocketing physical premiums, inflated freight rates, and structural cost increases—have already materialized, placing a heavy and complex burden on European consumers.

10. Foreign buyers snap up idled EU assets while domestic producers flee to low-energy, low-regulation haven regions

The structural crisis in the EU's primary aluminium industry is deepening. Beyond simple factory closures, a double-pronged threat has emerged: domestic producers are shifting capital to regions with cheaper energy and relaxed carbon policies, while foreign investors (particularly from Asia and the Middle East) are moving in to buy up Europe's vulnerable infrastructure.

In a prime example of this trend, Aluminium Bahrain (Alba) acquired Aluminium Dunkerque—the largest primary aluminium smelter in the European Union—in a massive transaction valued at approximately $2.2 billion. Key Asian competitors, including Japan's Sumitomo, were also aggressively bidding for the facility. The French government was

forced to intervene via its state bank (Bpifrance) to secure a minority 6% stake just to keep a seat on the board of its most critical domestic metallurgical asset[17].

In 2026 Emirates Global Aluminium (EGA) has acquired an 80% stake in Italian aluminium recycling company Eco Green with capacity of 70,000 tonnes per annum[18]. In Germany, EGA acquired EGA Leichtmetall in 2024. EGA announced a major expansion project that will increase EGA Leichtmetall's recycling capacity more than six-fold, adding 110,000 tonnes per year of scrap sorting capacity and 150,000 tonnes per year of melting and casting capacity.

Norway-based Norsk Hydro has systematically curtailed or completely shut down its high-cost European operations (such as the total idling of the Slovalco smelter in Slovakia and tactical cuts at its domestic Norwegian plants). Instead, Hydro has heavily redirected capital expenditure toward massive raw material and recycling operations in Brazil and other overseas territories with stable, lower-cost energy baseloads.

US-and-European-operated Alcoa famously placed its San Ciprián primary smelter in Spain into a multi-year idling phase due to unsustainable grid pricing. Meanwhile, major global producers are shifting their primary smelting focus to Southeast Asia, India, and the Middle East, where electricity is either state-subsidized or generated through highly competitive local infrastructure, free from the penalty taxes of the EU ETS (Emissions Trading System).

11. EU recycling cannot become the sole source of raw metal for aluminium downstream producers: a balanced supply mix is required

Raw material availability for European aluminium downstream producers is being aggravated by structural problems within the aluminium scrap recycling sector. The EU's circular-economy agenda is necessary but not sufficient as a stand-alone feedstock solution. A credible industrial strategy requires a balanced raw-materials mix with secondary metal wherever alloy specifications permit, underpinned by secure and competitively-priced primary supply. This matters now because European scrap and ingot prices have risen together over recent years, compressing the spread that historically gave recyclers their cost advantage, with further upside expected in the near term. At the same time, EU scrap exports have grown from 950 kt in 2016 to 1,277 kt in 2025 and are

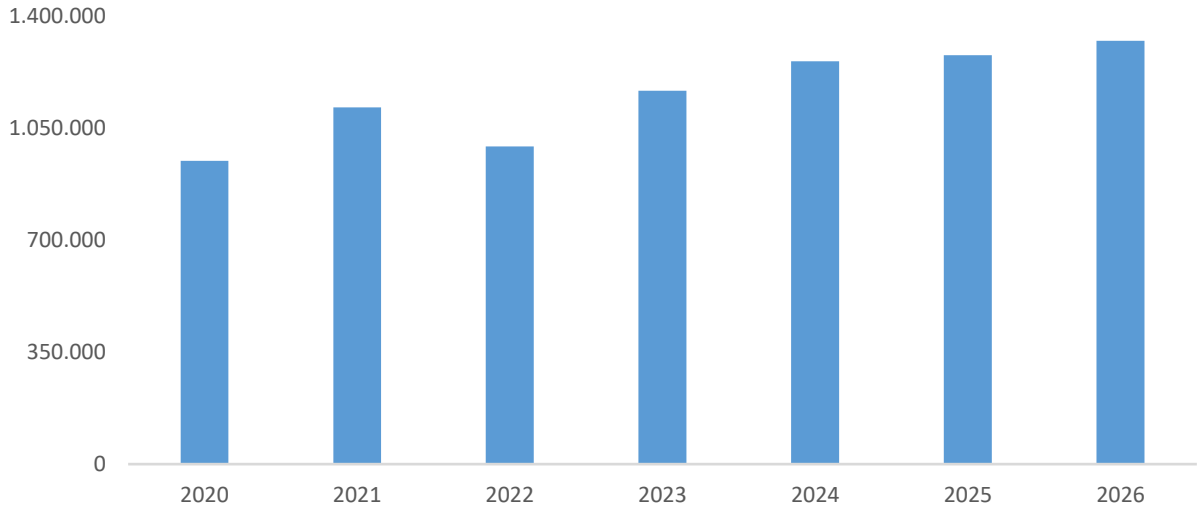
[17] Alba to buy French aluminium smelter in $2.2 billion deal | Reuters

[18] EGA completes Italian recycling acquisition

projected at 1,380 kt in 2026, draining premium-grade material from European smelters faster than new "green" capacity can absorb it.

Over 1 Mt per year of low-quality post-consumer scrap already leaves the EU for processing in India, Turkey and Pakistan[19]. Because scrap prices track LME primary, every closure of an EU smelter inflates feedstock costs for downstream converters and recyclers alike. Metallurgical constraints compound the issue: high-spec alloys for automotive sheet, aerospace and foil require calibrated dilution with primary metal, without which quality downcycles and high-value manufacturing migrates out of the EU — a strategic error the U.S., China and Gulf states deliberately avoid. The Union should therefore pursue energy-cost conditions capable of preserving existing EU primary smelters, predictable access to compliant low-carbon imports under a CBAM regime that rewards rather than penalises them, and direct investment in domestic upgrading technology for low-grade scrap before the revised Waste Shipment Regulation export restrictions bind. Treating recycling as a substitute for primary aluminium risks pricing out the very industries the policy intends to support; balance is the precondition for scale[20].

EU exports of aluminium scrap (HS7602), tonnes



The EU has still not introduced an export duty for the scrap, amid deal with India on the FTA; thus, scrap will continue to flow out of the EU into third countries, thereby reducing

[19] https://www.yieh.com/en/NewsItem/147038

[20] https://www.fastmarkets.com/insights/scrap-availability-in-focus-for-europes-secondary-aluminium-markets-in-2024-2024-preview

the volumes available to the EU industry. Several companies already declared that they freeze recycling projects in the EU (like Constellium)[21].

12. The impact of CBAM on the European aluminium industry: regulatory bifurcation and escalating downstream costs

The phased implementation of the European Union's Carbon Border Adjustment Mechanism (CBAM) has fundamentally restructured the financial landscape for the continent's aluminium supply chains. By imposing a carbon tariff equivalent to the ETS allowance prices on imported primary metal, the regulation has penalized carbon-intensive foreign producers. Consequently, non-compliant imports now incur estimated embedded carbon penalties ranging from €50 to €90 per tonne, systematically erasing the cost advantage previously held by low-cost, coal-powered smelters outside of Europe.

This regulatory shift has triggered an intense market bifurcation and a steep rise in procurement premiums for European manufacturers. Because domestic European primary smelting operations now cover less than 15% of regional demand due to past energy crises, downstream consumers are locked into an import-dependent structure. The scramble to secure verified low-carbon primary aluminium has institutionalized a permanent "green premium" or Low-Carbon Differential, adding an extra $15 to $30 per tonne surcharge onto standard LME cash pricing. This has disproportionately burdened small-to-medium manufacturing enterprises that lack the capital to absorb or hedge against these regulatory price layers.

Ultimately, while CBAM succeeds as a climate policy by incentivizing global decarbonization and protecting domestic secondary recycling operations, it has severely compromised the near-term global competitiveness of European industrial sectors. Downstream manufacturers in heavy-use fields like automotive engineering, packaging, and construction face a compounding cost squeeze. Because finished or semi-finished aluminium products imported into the EU are currently subject to different regulatory timelines than raw primary metal, European end-users find themselves paying top-tier, CBAM-inflated prices for raw materials while fighting off fierce competition from non-EU finished goods produced with cheaper, un-tariffed metal.

The current structure of CBAM acts as a severe cost multiplier that disproportionately penalizes European downstream fabricators and end-users. By artificially inflating the

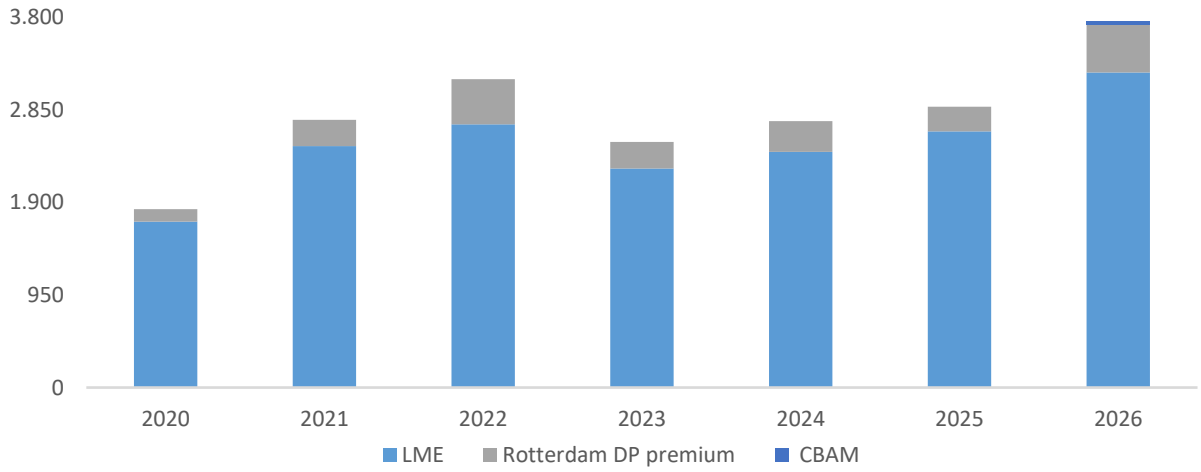
[21] https://www.mining.com/web/constellium-may-drop-eu-metal-recycling-plans-due-to-scrap-squeeze-ceo-says/

price of imported primary aluminium while failing to place equivalent, immediate trade protections on fully finished foreign goods, the mechanism has inadvertently exposed EU manufacturers to asymmetric global competition. As raw material inputs carry increasingly heavy carbon penalties, European downstream industries are facing eroded profit margins, reduced export capabilities, and an accelerated risk of "investment leakage" to regions with less punitive regulatory frameworks.

13. Price pressure mounts across European downstream markets

Smelters' shutdowns, strict anti-Russian sanctions, and the 2026 Middle Eastern logistical blockades has triggered a severe physical deficit of aluminium across Europe, driving LME cash prices up from a 2023 baseline of $2,2 to an average of $3,236 per tonne in 2026. This 45–80% surge in raw material costs further aggravated by soaring Rotterdam physical premiums of $490-$520 per tonne and new CBAM carbon penalties have severely undermined the competitiveness of European downstream industries, drastically squeezing profit margins in key sectors like automotive manufacturing and construction.

EU Price for for primary aluminium, USD/tonne



14.Downstream aluminium crisis signals accelerating deindustrialization

Given the significant shortage of raw material – both primary and secondary – and its strong price, European downstream producers, already suffering from high production costs and low margins, have been steadily losing ground to Asian competing supplies.

The consequences of such reshaping of the market, coupled with regional economic downturn, have been observed since the Russian supplies started to decline in 2022. Amid the growing number of bankruptcies in the EU's industry, aluminium sector has been demonstrating negative dynamics with dozens of closed enterprises and reduced production in the period 2022-2025. Dozens of European companies directly involved or related to the aluminium sector faced either bankruptcies or workforce and capacities reductions:

— WKW Automotive Supplier (Germany): In October 2024, WKW, an automotive supplier specializing in aluminium components, faced bankruptcy, threatening 2,000 jobs at its Velbert and Wuppertal locations[22].

— Alcomet (Bulgaria): In 2023, Alcomet, specializing in aluminium rolled and extruded products, faced operational challenges leading to a reduction in output.

— Le Bélier (France): In 2023, Le Bélier, a producer of aluminium components for the automotive industry, announced the closure of its French operations due to declining demand.

— Profilco (Greece): In 2022, Profilco, a manufacturer of aluminium profiles, ceased operations amid financial difficulties exacerbated by rising energy costs.

— Hurtz GmbH & Co. KG (Germany): In 2023, Hurtz, an aluminium specialist for frames and pallets, reduced its production capacity due to increased competition and operational costs.

— Albatros Aluminium (Poland): In 2023, Albatros Aluminium Sp. z o.o., based in Poznań, experienced a 25.13% drop in net sales revenue and a 4.41% decrease in total assets, indicating significant financial challenges.

— MGG Herzogenburg GmbH (Austria): In late 2023, MGG Herzogenburg GmbH, an aluminium foundry in Herzogenburg, Austria, declared insolvency due to significant revenue declines.

— Norsk Hydro (Norway) closed 2 extrusion plants in France and Lithuania to cut costs in 2024[23].

[22] https://www.foundry-planet.com/d/wkwgroup-is-restructuring-itself-through-insolvency-proceedings/

[23] Norsk Hydro closed four extrusion plants in 2024 to cope with soft EV demand | Reuters

— Hammerer Aluminium Industries (Austria) decided to cut 250 of its 2100 jobs in 2025 in Austria, Germany, Romania and Poland amid adjustment of its capacities due to the weak European aluminium market[24].

— Bohai Trimet (Germany), a long-standing supplier to Volkswagen, in May 2025, has filed for the opening of insolvency proceedings for its four German companies, which puts 580 jobs at risk[25].

— Schlote Group (Germany), an automotive supplier, filed for bankruptcy too for its four German subsidiaries, this puts 1,350 jobs on the line[26].

— MicronMax (France), aluminium casting products manufacturer, was liquidated in 2024, which deprived 57 people of jobs[27].

— Anderton Castings (France) liquidation lead to the disappearance of nearly 90 jobs in 2024. The plant specialised in the manufacture of aluminium parts[28].

— Otto Fuchs KG (Germany), producer of aluminium parts for aviation and automotive sectors, announced plans to restructure its business in Europe (plant in Meinerzhagen), which could lead to the layoff of 160 employees and transferring production of auto components to other regions[29].

— Northvolt (Sweden), which focuses on aluminium-based battery solutions in a joint venture with Volvo Cars, has filed for bankruptcy in early 2025. This development has led to a JVs 50 per cent workforce reduction, affecting approximately 5000 jobs[30].

— WKW Group / Erbslöh Aluminium (Germany): A major German manufacturer of decorative and functional automotive profiles and roof rails made of aluminium announced bankruptcy in December 2025[31].

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[24] Hammerer Aluminium Industries (HAI)

[25] https://www.euroguss.de:443/en/euroguss-365/2025/news/bohai-trimet-applies-for-insolvency-proceedings

[26] Four subsidiaries of Schlote Group file for insolvency in Germany - Automotive Technology Insight | Forecasts | Industry News | Supply Chain

[27] L'entreprise MicronMax (ex-Rafer) placée en liquidation judiciaire, 57 emplois supprimés à Dieuze - ici

[28] The judicial liquidation of Anderton Castings will lead to the disappearance of nearly 90 jobs

[29] Otto Fuchs KG

[30] Bankruptcy disrupts Volvo's battery supply chain — Novo Energy announces layoffs

[31] https://www.foundry-planet.com/d/wkwgroup-investor-talks-are-progressing/

— NordAlu (Germany): In August 2026, the aluminium processing plant NordAlu filed for bankruptcy due to its inability to pay wages. Production at the plant has been completely halted, putting 100 employees at risk.

— Aluminium Rheinfelden (Germany): The long-standing manufacturer of aluminium alloys and semi-finished products opened self-administered bankruptcy proceedings for its key subsidiaries Alloys GmbH and Semis GmbH in July 2026. Aluminium processing at the enterprise was completely halted, directly affecting 185 employees[32].

— Vollert Anlagenbau (Germany): A well-known manufacturer of heavy engineering systems for the steel and aluminium industries filed for insolvency in July 2025. The main reason was a prolonged global downturn in demand within the construction and industrial sectors[33].

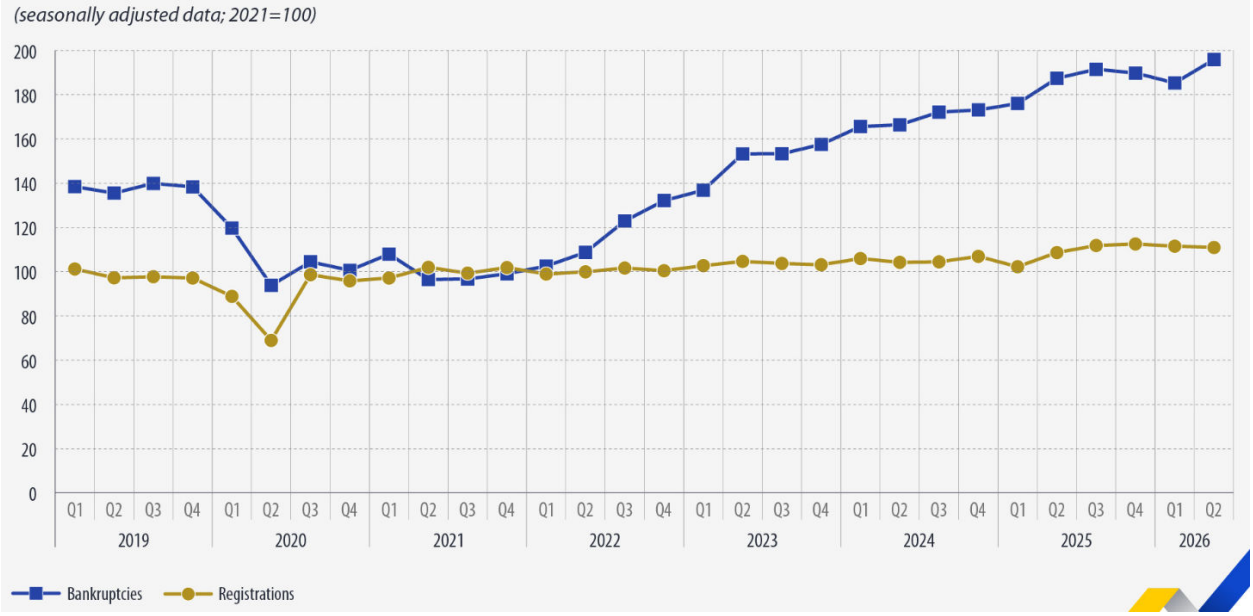
The bad state of the EU's downstream sector and limited room for the recycling sectors development are a warning sign of the de-industrialization affecting the entire European aluminium value chain. On top of that, there is a leakage of semi-fabricated products production to outer regions, which are far more attractive for producers due to much more stable supply of raw materials, now possible through redirection of Russian low-carbon metal to Asia, lower energy and labor costs and massive investments already made in it.

In the second quarter of 2026, business registrations decreased in 5 out of 8 sectors of the European economy. Industry registered the largest drop (-3.6%).

[32] Insolvencies and acquisitions in the metal industry | International Aluminium Journal

[33] Vollert files for insolvency | International Aluminium Journal

Quarterly registrations of new businesses and declarations of bankruptcies, Eurostat

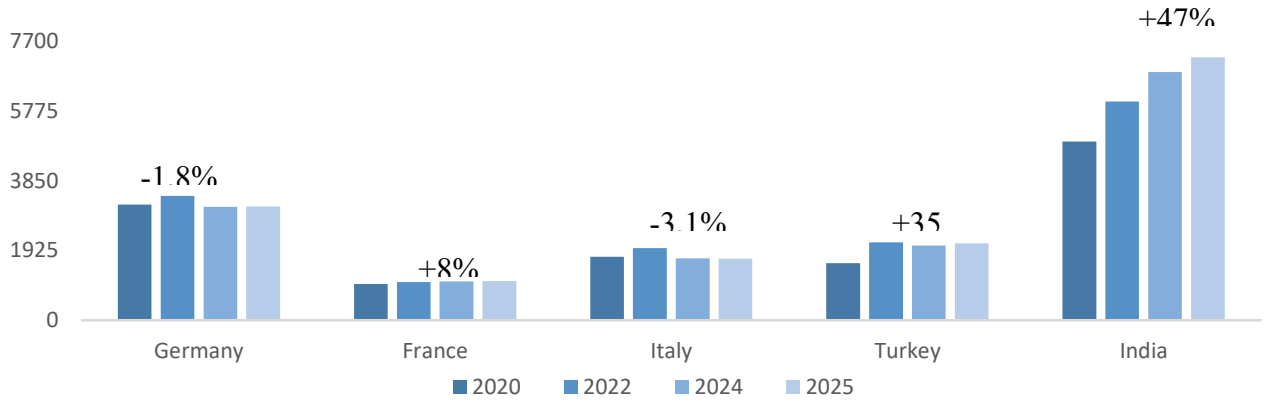


15. European industry cultivates its own competitors as domestic downstream is squeezed between raw material deficit, high costs and policy blind spots

High operational costs and persistent raw material shortages continue to drive a contraction in the European Union's production of semi-finished aluminium products. As EU manufacturers grapple with these ongoing supply-side pressures, their global competitors are rapidly gaining ground. In particular, Indian and Indonesian exporters will now benefit from FTA granting duty-free access to the EU market in all of the semi-finished categories except aluminium powders, further strengthening their competitive advantage and positioning them to fill the supply gap left by declining European output. This poses a particular threat to the European downstream sector, as India's production of semis has grown since 2022 by 47%.

Moreover, these countries are subject to trade defence measures in third countries. For example, the United States imposes anti-dumping duties on certain types of aluminium FRP (Common Alloy Aluminium Sheet) from both India and Indonesia, while India applies anti-dumping duties on aluminium foil originating in Indonesia. These measures highlight the risk that European producers may be forced to compete with unfairly priced imports to maintain its position in the market.

Production of aluminium semi-fabricated products 2020-2025, tonnes



While major European producers are stalling or contracting—with Germany and Italy seeing production drops of 1.8% and 3.1% respectively between 2020 and 2025—external competitors are rapidly expanding. India stands out as the primary growth driver, surging by 47% (+2,329 units) over the same period, followed by Turkey with a solid 35% increase. This statistical divergence confirms that while high costs and material deficits are flattening European output, regions like India, Indonesia and Turkey are successfully capitalizing on the momentum, a trend set to accelerate with their new duty-free advantage.