



FACE's comments on the CBAM - November 2021

FACE's initial position that inclusion of unwrought primary aluminium (PA) into the scope of the CBAM would be contrary to the European Green Deal and CBAM goals is now even stronger. With regard to the EU downstream aluminium subsector, the CBAM might be acceptable, provided that it applies to downstream semi-finished or finished products in full compliance with WTO rules. However, FACE emphasises that there is a much better, simpler and faster way to decarbonise and protect the EU aluminium industry from carbon and other leakage: immediate suspension of the EU import duties on PA.

The proposed CBAM still ignores the crucial fact that our industry consists of two main and distinct subsectors: (1) primary and recycled aluminium producers/smelters and (2) downstream aluminium transformers. Recycled smelting has the lowest GHG footprint. To be suitable for use, recycled aluminium must integrate around 30% of PA, so as to maintain physical and chemical specifications. The EU industry aims at outreaching the target of about 50% of recycled metal in its total use by 2050, which mechanically implies the continued growth of demand for PA.

The proposed CBAM also fails to take into account that PA production is one of the most electricity-intensive amongst all industries (about half of the cost of production).

The two subsectors have been developing over the last 30 years in a different way. Due to growing energy and labour costs, EU smelters relocated PA production to 3rd countries and today the EU meets only c. 25 % of its demand, making all independent EU transformers completely dependent on imports. The PA subsector has already "leaked" from the EU.

The EU downstream is able to fill the growing demand. However, the EU still maintains the economically absurd 3-4-6 % import tariff structure on PA which does not help the PA subsector but drives out of business the SMEs in downstream that employ over 90% of the EU's aluminium industry workforce.

The CBAM will not contribute to the competitiveness and decarbonisation of the PA subsector, but will further damage the downstream subsector with extra-costs that we estimate at more than EUR 5 billion per year, in fact up to EUR 7 billion when we add at the minimum 1 billion extra-cost generated by the import tariffs on unwrought aluminium. This will put the survival of the value chain at grave risk.

Moreover, the current CBAM version envisages a carbon levy only on direct emissions. This means that major emissions relating to electricity used for smelting are not counted at all. Hence, such CBAM will miss out the actual GHG footprint of aluminium products and stimulate trade in higher GHG footprint goods, often at unfairly low prices.



The current setup of the CBAM with regard to PA is opposite to CBAM's own objectives, while hurting downstream subsector and leading to other risks. It would not be a genuine environmental measure. Such qualification makes the measure automatically WTO incompatible and can trigger retaliation which would negatively affect the downstream subsector further and ultimately lead to its leakage following the PA subsector. Not only such CBAM will contradict the Green Deal objectives, but also the ones of the EU's industrial policy, and in particular competitiveness, jobs growth, technology investments and support to SMEs.

With regard to the downstream subsector, a CBAM might be appropriate, but only if it is fully WTO compliant. That requirement includes coverage of only those downstream products which are subject to actual ETS costs and coverage of indirect emissions, i.e. catching actual GHG footprint. However, FACE maintains that immediate permanent suspension of EU import duties on PA and free allocation of allowances and indirect energy cost compensations would be a much better environmental and competitiveness measure.

FEDERATION OF ALUMINIUM CONSUMERS IN EUROPE

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. (face-aluminium.com).

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