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Global Economic Network



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PRESS RELEASE

Calls for bans of Russian metal poses risks of destruction in the European aluminium industry.

Five industry associations sent a letter to EU authorities with an urgent call to action.

FACE, BWA, Amafond, Assofermet and Assofond, representing thousands of European companies, essentially SMEs, requested the urgent intervention of the European Commission and of EU Member States **against threats of bans, high tariffs or sanctions on Russian aluminium which represent an imminent and vital threat to the European aluminium industry.**

The associations point to the fact that in recent weeks an apparently well-coordinated campaign materialised, combining boycotts of RUSAL by major western companies, discussions at the LME on a ban of metal from this producer, calls for sanctions against RUSAL by the CEOs of leading North American aluminium companies and media reports that U.S. authorities are discussing punitive measures.

This is taking place in a context of unprecedented accumulation of systemic risks, skyrocketing energy costs, severe inflation, strong recession prospects and structural metal shortage, and despite the disastrous 2018 experience when OFAC's announcement of sanctions against RUSAL caused immediately a 35% rise in market prices and turmoil in the industry.

Acknowledgement of the massive economic unintended consequences as well as the fact that the U.S. government had no reproaches against RUSAL itself, and a swift intervention from European governments and the EU Commission, prompted the delisting of the company.

We are concerned by common features among those who are boycotting RUSAL and calling for bans or sanctions : they are either its main competitors or they enjoy supply options that are not available to the vast majority of the European aluminium value-chain, whose workforce is composed mainly of SMEs in the transformation and end-use sectors.

It has also to be noted that those calling for such bans and sanctions have a vested interest in those measures that will benefit them at the expense of the vast majority of the industry: their financial profits will grow with the price hikes that a ban or sanctions will foster, while the competitiveness of the downstream value chain will be further damaged by costlier raw materials; and the top management of these companies would also benefit from such a scenario because it will inflate their bonuses, but with potentially thousands of company closures and tens of thousands more of unemployed in Europe as a direct consequence of these measures if they are implemented.

Mario Conserva, FACE's Secretary General, underlines that "among the proponents of bans and sanctions on Russian aluminium we find the same players that for decades have been shutting down more than 50% of the European production capacity of primary aluminium, leaving it with a 80% deficit before the war in Ukraine".

He adds: "In this year alone, a further 1 million tons of primary production capacity has been shut down or idled in the EU because of the energy crisis, leaving the block with just around 1 million tons primary capacity while consumption exceeds 12 million tons. In this context, the 1 million tons or more of RUSAL's exports of high quality and low carbon aluminium to Europe plays a fundamental and non-substitutable role in significantly compensating for the gaps, with stable and reliable supplies since 20 years."

Furthermore, RUSAL's supplies alone contribute to lowering the carbon footprint of the entire European aluminium value chain.

RUSAL is today a key European aluminium industrial player with facilities in Ireland, Sweden, Italy and Germany, employing 1200 directly and 10 000 indirectly in the EU. It supplies 30% of the alumina and up to 20% of the primary aluminium Europe needs to keep its light metal industry alive. As such, this company is a strategic partner of the competitiveness, decarbonisation and open strategic autonomy of the European Union.

It is necessary to stress that boycotting, banning or sanctioning RUSAL amounts to no more than the destruction of the independent downstream European aluminium industry and in particular of its SMEs that do not have supply alternatives potentially available to big producers and to the major downstream companies, but who represent 70% of the industry's output and 90% of its employment in the EU.

Frank Tetzl, Chairman of the Raw Materials Committee at BWA points at the consequences on trade, decarbonisation and to the desindustrialisation effect of a Russian aluminium ban within the EU territory : "...boycotting, banning or sanctioning RUSAL will benefit non-EU, including higher carbon, players, and, ultimately, China, which can absorb RUSAL's metal and use it to sell more abroad, gain more territory in the lucrative green products market, and wipe out the fragile and vulnerable EU SMEs that will be the first victims of such measures."

It would be a total blow to the EU's reindustrialisation and Green Deal objectives to let such a destruction happen in its industry for a strategic metal and its innovative applications which have a bright future as the material of choice for the greening of many important consumer sectors such as in construction, electrical infrastructures, transport and mobility, packaging and beverages.

FACE, BWA, Amafond, Assofermet and Assofond, therefore solemnly call on the EU Commission and Member States to assertively and urgently address the imminent and vital risk that weights on the European aluminium industry, and to intervene with the relevant governments and administrations against any restrictions or sanctions that would be a fatal blow inflicted to Europe.

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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. (face-aluminium.com).

GERMAN FEDERAL ASSOCIATION FOR ECONOMIC DEVELOPMENT AND FOREIGN TRADE (BWA)

BWA is a German business network that has made it its first task to create a sustainability-oriented business climate for its many hundreds of member companies and partners. On this basis, the association offers a significant improvement in ethical and business development. To achieve this, those responsible in the BWA work internationally and locally in the regions of Germany. Economic aspects for entrepreneurs are in the foreground, but secured investments at home and abroad and political framework conditions also determine success.

ITALIAN FOUNDRY SUPPLIERS' ASSOCIATION (AMAFOND)

AMAFOND is the Italian Association of foundry machineries and products suppliers, founded in 1946. It encloses the most important companies of the sector and it's present in the most significant markets all over the world.

ITALIAN NATIONAL ASSOCIATION OF STEELS, METALS, SCRAP, HARDWARE (ASSOFERMET)

ASSOFERMET was founded after World War II, back in 1948. It is based in Milan and defends the interests of the Trade, Distribution and Pre-processing of Steel and Non-Ferrous Metals (including Aluminium). It represents Authorised Collection and Recovery Plants in charge of End of Waste (EoW) Processes of Ferrous and Non-Ferrous Metal Scrap, producing Recycled Materials from Metal Waste. It also represents the Hardware and Do-It-Yourself (DiY) Sector.

ITALIAN FOUNDRY ASSOCIATION (ASSOFOND)

ASSOFOND is the sector's employers' association representing Italian foundry firms. In Italy, the sector boasts over 1,000 businesses employing almost 30,000 workers and generating revenue of around 6.5 billion euro. Founded in 1948, Assofond is a member of Confindustria, the Italian employers' federation, and is a founding member of the European Foundry Association (CAEF). The association promotes the competitiveness of Italian foundries and represents the sector in relationships with institutions and economic, political and social bodies domestically and overseas. In addition, Assofond assists firms in their relations with authorities, communities and the national and local media and provides support in the following areas: administrative, commercial, economic, tax-related, regulatory, technical, environmental and workplace health and safety.