



Mr Matthew Chamberlain
Chief Executive
London Metal Exchange
10, Finsbury Square, London, UK

Dear Mr. Chamberlain,

There is currently a lot of media noise and of rumours in the market about discussions within the LME but also within European industry associations, and open calls by major aluminium producers to ban or sanction Russian aluminium in Europe.

As the LME quoted our associations in its report about previous consultations on the same issue, and as this agitation is very detrimental to our industry, we are writing to you to restate our joint position and warn about the grave consequences of such discussions and potential moves.

In the name and on behalf of the associations listed below, already co-signatories with FACE of letters to authorities and of public statements, we inform you that we oppose as strongly as ever calls for bans and sanctions on Russian aluminium.

These calls, and apparently pressures also, are made by vested interests whose agenda is harmful to the vast majority of the European aluminium value-chain.

They constitute obvious market and price manipulations and they could be viewed as an oligopolistic attempt to turn the EU into a captive market dominated by a handful of non-EU headquartered multinationals and few remaining EU producers willing to easily eliminate a competitor with non-market practices, at the cost of the entire industry's downstream value-chain.

Our bottom line is that Rusal guarantees since 20 years a stable and reliable supply of about 1 million+ tons of low-carbon primary aluminium annually, about 12% of current primary metal demand in the EU.

Rusal's competitive supplies alone help decrease the carbon footprint of the entire European aluminium industry.



This company has always been a balancing factor contributing decisively to stability for our downstream aluminium sector when the other major producers were withdrawing their facilities away from Europe, investing in emerging markets and in extra-EU duty-free countries to make lucrative use of the EU's import tariff structure and tax benefits in EFTA, selling all their metal at only duty paid levels of price in the entire EU market, including their remaining EU based domestic production, at an annual over-cost in the range of 1 to 2 billion euros suffered by all EU aluminium independent transformers.

By contrast, Rusal had more an industrial than purely financial DNA and has historically been playing a very important structural role supporting the competitiveness and the sustainability of the European aluminium value chain, of which it is a central player with its constant investments, facilities in Sweden, Ireland, Germany and Italy, EU based production of alumina and of primary aluminium and supplies of low carbon aluminium to the EU market.

In terms of industrial policy, for the Green Deal, for EU's new approach to critical and strategic raw materials, for our climate and decarbonisation objectives and for our open strategic autonomy, Russian aluminium has been and represents more than ever a stable, abundant and reliable, fairly priced, base of high quality and lowest carbon supplies.

This base helps Europe fill the ever growing gap between production and demand that puts our import dependency on primary aluminium at almost 90% nowadays.

This last number alone shows how insane are these calls for bans and sanctions on Russian aluminium, especially as Europe is in socioeconomic and in political crisis and facing fierce and too often unfair international competition.

Do we want a pandemic of bankruptcies in the European aluminium industry?

It has to be noted that if we have such a staggering import dependency level, it is because the very same producers that are calling for bans and sanctions on Russian metal have been constantly shrinking the EU's primary production base for the past 20 years: in 2019, pre Covid, they had already shut down more than 30% of EU's smelting capacity, while cashing billions of extra profits thanks to the maintaining of the economically absurd EU 6% import tariff structure on raw aluminium (that they aggressively lobby to maintain in an import-dependent market because it provides them with a de facto hidden subsidy mechanism), and these billions of tariff-driven extra profits have been invested outside the EU.

So, if we look at the full picture, we see vested interests that have reduced by 30% EU's production capacities during 20 years while making billions of duty-driven extra-profits at the expense of the entire downstream value-chain, that are not planning to build any new smelter in Europe in the foreseeable future, who know that the EU must import more than 7 million tonnes of primary aluminium every year,



competing with other regions to attract metal, and yet, with 12 million tons EU demand versus 1,2 million tons domestic production left, they are asking the EU Commission and Member States to deprive the entire downstream industry sector of 1+ million tons of vital, reliable, competitive and low carbon aluminium supplies!

Who wouldn't see the absolute scandal of such a behaviour?

We are speaking of the raw material supply for hundreds if not thousands of aluminium downstream transformers and end users across the EU, in processing, finishing, refining and manufacturing companies, a sector which directly employs around 92% of our industry's 200,000 workforce, and which depends to varying degrees on the continuity of these supplies.

These are SMEs that, by the Treaties, EU Institutions and Governments have the responsibility to protect and to support, not to starve and to suffocate.

We already experienced turmoil in 2018 when the US Administration announced the intention to sanction RUSAL because at that time it was controlled by founding shareholders, resulting in an immediate 35% increase in metal prices, panic and severe shortages and supply difficulties.

Under strong pressures from the EU Commission and Governments, who stressed the catastrophic unintended consequences, and with the recognition by the US Treasury Secretary that American authorities had no reproaches against Rusal as a company, the US Government, in an unprecedented move, backtracked and delisted the company.

So, those who are aggressively lobbying for sanctions or bans on Russian aluminium are doing so knowingly of the very damaging consequences that would further weaken the European aluminium industry, mainly SMEs, already very strained and vulnerable in our global context of polycrisis.

This is shocking and goes against the general interest, the rules and policy priorities of the European Union.

These very questionable and concerning calls for sanctions and bans come from Rusal's competitors, who can only give the sentiment that they are trying to scare the market, to inflate prices, and that other stakeholders and associations or organisations such as the LME are being pressured.

What they are calling for is even more appalling and suicidal for our entire European industry and binding climate objectives as the disappearance of Russian low carbon aluminium, with a carbon footprint of 2.3t CO₂ /t, will not only destroy environmentally responsible and climate oriented downstream



manufacturing capabilities in the EU, but will also foster imports of aluminium products made outside Europe using primary metal with much higher carbon contents, up to 13t -17t CO₂ /t.

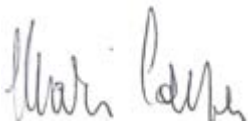
Not only banning Russian metal will destroy EU SMEs, know-how and thousands of jobs, but it will also partially neutralize our decarbonisation efforts and it will favor the market penetration of extra-EU manufacturers by further weakening the EU downstream aluminium sector, which operates with low margins, faces global structural shortages on top the EU metal deficit and is penalized by the fact that the purchase of raw aluminium amounts to 60-80% of their operating costs.

Any restriction on the import and trade in the EU of this very eco-sustainable Russian metal supplies would severely damage the EU's industrial development without causing significant damage to the Russian economic system, which would further redirect its exports to China, India and other emerging and developing economies, strengthening their competitiveness against our manufacturing industry.

One can easily see why these calls for bans and sanctions and these market manipulations are so shockingly an attack against the EU's industrial base and resilience, Green Deal Industrial Plan, open strategic autonomy and competition rules.

We do hope that the LME will strongly resist and denounce any such calls and pressures.

Yours faithfully,



Mario Conserva, FACE Secretary General

On behalf of:

Michael Schumann, Chairman of the Board of Directors German Federal Association For Economic Development And Foreign Trade (BWA)

Riccardo Ferrario, President Italian Foundry Suppliers' Association (AMAFOND)

Arturo Ferrari, President National Association Of Steels, Metals, Scrap, Hardware (ASSOFERMET)

Silvano Squaratti, General Manager Italian Foundry Association (ASSOFOND)

