

## PRESS RELEASE

For immediate release

Brussels, Thursday 16 November 2023

## Adding aluminium to EU sanctions would be another self-inflicting damage

Aluminium was the target of a vigorous and perseverant lobbying campaign from competitors of Russian producers and some industry associations, and it finally made its way up to the Commission's proposal for the 12th EU sanctions package.

We have the feeling that, under pressures, aluminium had to be added to the new Commission proposal at all costs, even without regard to far more unintended consequences than hard-power efficiency.

In light of our 25 years of fight for the competitiveness and sustainability of the European downstream aluminium industry, we consider that this addition, if agreed to by EU Member States, would be a great mistake, for the following reasons:

- 1- To our best knowledge, aluminium is the only sector where major private players (big companies and associations) publicly and aggressively lobbied EU Institutions requesting sanctions that would affect their own sector; seeking their own commercial benefits.
- 2- Sanctions are sovereign policy tools available to States and should not be weaponised by private players to further their market agendas with non-market practices, nor should sovereign States and intergovernmental institutions let such a powerful and sensitive political, security and diplomatic tool as sanctions become prey to excessive influence of lobbies.
- 3- What was the pressing geopolitical need to add aluminium in EU sanctions, just after this key lightweight and endlessly recyclable metal for the green transition had finally been included in the list of critical raw materials?
- 4- Europe has a growing net deficit of primary aluminium, now at more than 84%. Nobody foresees any new smelting production investments in our continent, and the most optimistic recycling scenarii will at the best cover half of our need for this ever more in demand material. If we are serious about our industrial Renaissance and the Green Deal, rather than sanctioning the much needed aluminium supplies from lowest carbon sources, we should be liberalising trade in raw aluminium, exempting low-carbon aluminium from the CBAM overcosts and bureaucracy; we should awash our EU aluminium industry with IRA-style incentives and massively subsidise electricity prices.



- 5- Sanctions are a kind of economic tactical nuclear bomb and therefore should be handled with extreme care, especially avoiding that the radiations the unintended consequences come back to hurt us and for a very long time.
- 6- Sanctions are enacted to weaken adversaries. In the case of aluminium, it is hard to understand how adding it to the package will in any way support the EU's geopolitical objectives, as, based on available data, the State tax revenues from the Russian aluminium industry, which is made of private companies, represent less than 0,1% of the annual budget of Russia (!). Therefore sanctioning aluminium will in no way change the course of events, nor affect Russian producers who can sell their low carbon products to Asia, who is targeting more and more the lucrative green products markets. It will only harm European aluminium transformers, end users and consumers who will be deprived of important low carbon supplies, at a time when their strongest international competitors will be happy to purchase more low carbon raw aluminium and semi-finished products from Russia, process them and increase their market penetration of the very promising EU green goods market, wiping out the vulnerable and struggling European SMEs, who the EU institutions have the responsibility to protect.
- 7- The list of aluminium products that the Commission intends to include in the 12th package, according to the media leaks, is very limited in volume but represents a significant share of EU imports for wire rod (17% in the first semester 2023), which means little substitution options for consuming European SMEs who risk serious repercussions. But this almost symbolic (and therefore senseless) list will, if approved, have a perverse effect: it will continue to feed market anxiety and uncertainty. People keep wondering "what's next?", and this instability contributes to keeping an upwards pressure on prices, which is terrible for the SMEs of this very low margin industry; and it is a bonanza for those whose market capitalisation and bonuses are linked to sales prices and who happen to be the fierce advocates of trade restrictions and sanctions.

As our Secretary General, Dr Mario Conserva says, "Adding aluminium products to the 12th sanctions package proposal is not a great demonstration that the EU has a strategic compass: it will not help accelerate the end of the war in Ukraine, it will further redirect Russian low carbon supplies, that we so badly need, to China and other competitors, and it will deepen market anxiety and therefore contribute to price rises that will put hundreds EU companies at risk of closure".

FACE hopes that EU Member States and the Commission will carefully reflect again before opening another pandora's box within our vast sanctions arsenal, this time again doing much more harm than good to our industrial strength and decarbonisation efforts - the two pillars of the goal declared by President Von der Leyen to make the European Union "the world's first sustainable power".



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## 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.

https://face-aluminium.com/