

P R E S S R E L E A S E

“Fit for 55” package: EU climate ambition requires strengthened carbon leakage protection and industry transition focus

Brussels, 14 July 2021: “Today’s “Fit for 55” climate package will accelerate Europe’s transition away from fossil fuels, towards metals-based electric vehicles, renewable energy technologies, and electrification. It’s crucial that the EU also delivers strengthened carbon leakage protection to help its metals producers cope with a much higher carbon price, enabling their decarbonisation plans for meeting this demand sustainably. Here we have concerns that the Commission is now proposing to weaken carbon leakage protection over the next decade”, said Guy Thiran, Director General of Eurometaux (European metals association) on the European Commission’s Fit for 55 package release day.

On the Carbon Border Adjustment Mechanism (CBAM), he continued: “Aluminium is regrettably one of the five sectors included in the CBAM’s pilot phase, despite specific unresolved issues related to EU electricity markets and the likelihood of resource shuffling from third countries. There will be cost impacts down the metals value chain, which may generate more, not less carbon leakage. But we’re pleased the Commission has recognised its current CBAM design cannot tackle the indirect carbon costs that even low-carbon aluminium producers face in higher national electricity prices. We’re ready to work with all stakeholders to look into solutions”.

Aluminium is included alongside steel, cement, fertilisers and electricity sectors in the CBAM’s pilot phase. Other non-ferrous metals like copper, nickel, zinc and silicon may be added at later stage together with other energy-intensive sectors. All metals sectors have expressed concerns that the CBAM as designed would disadvantage Europe producers irrespective of their carbon footprint, because it is ill-fitted for sectors indirectly emitting carbon through their electricity consumption (rather than directly).

In early leaked proposals, the CBAM would have taxed both the direct and indirect emissions for imports of aluminium. The final proposal accepts that tackling indirect emissions poses an additional challenge and limits the CBAM’s initial scope to direct emissions only, requiring that stakeholders now work to investigate solutions.

Replacing the current ETS indirects compensation system with a CBAM would result in significant unilateral carbon costs even for Europe’s low-carbon smelters due to Europe’s marginal pricing system for electricity, not imposed on global competitors. Industry has also warned of the risk that third countries would redirect their limited low-carbon output to the European market, without addressing the dominance of Chinese coal-powered aluminium in the global mix.

Guy Thiran continued: “Today’s package will accelerate the demand increase for metals linked to the energy transition. The European metals industry is ready to lead through our processes and products, if a level playing field can be maintained. Our key decarbonisation enabler will be the availability of competitive carbon free electricity, which would reduce the sector’s overall greenhouse gas emissions by 81%. European metals companies have ambitious plans for integrating renewables into their electricity mix, for providing new flexibility services to the grid, and for utilising new feedstocks like renewable hydrogen or biocarbon. These plans require an enabling EU policy framework in the next decade and beyond, but we still need to see that”.

“Europe must give its homegrown companies the conditions to lead the transition; and as a priority that requires massive quantities of carbon free electricity at competitive prices, support to circularity, and continued carbon leakage protection. All EU institutions should now work together to ensure the “Fit for 55” package delivers”.

**Contact:** Chris Heron, Communication & Public Affairs Director | heron@eurometaux.be | +32 (0) 493 18 89 63

**About Eurometaux:** Eurometaux is a trade association representing the collective European non-ferrous metals industry, including miners, smelters, refiners, fabricators and recyclers.

