To: Ms. Kadri Simson, European Commissioner for Energy

Cc: President Ursula Van der Leyen; Executive Vice Presidents Frans Timmermans, Margrethe Vestager, Valdis Dombrovskis; Commissioners Thierry Breton, Paolo Gentiloni

September 2021

RE: Impact of rising electricity prices on industry's competitiveness and ability to meet EU decarbonisation goals

Dear Commissioner Simson,

On behalf of Europe's collective non-ferrous metals industry, we are writing to you to raise our concern about dramatically rising electricity prices. These rising electricity prices have already led to curtailments and could lead to further relocation of our sector outside Europe if not addressed. More broadly, we're also concerned that if electricity remains too expensive, it will disincentivise industrial electrification as a decarbonisation route, undermining the EU's Green Deal objectives.

European electricity prices have steadily risen since the start of 2021, with a dramatic surge across Member States in recent weeks. Prices have reached 168 euros/MWh in the Netherlands and Germany, 188 euros/MWH in Spain, 169 euros/MWH in France, 175 euros/MWh in Greece, 150 euros/MWh in Romania, 171 euros/MWH in Bulgaria and 121 euros/MWh in the Nordics - almost a quadrupling since 2020, where prices fluctuated around 40 euros/ MWh. To put that into financial terms, for an aluminium producer consuming 14.5 MWh per tonne of aluminium produced, electricity prices will have quadrupled from 580 euros/tonne to over 2,000 euros/tonne: more than 80% of today's LME sales price for aluminium, which is itself at a six-year high.

Producers of aluminium, copper, nickel, zinc, and silicon are right at the frontline of those industries impacted by Europe's high electricity prices, as non-ferrous metals are more electricity-intensive to produce than any other material and priced globally as commodities[1]. Installations are already curtailing their production as a short-term measure, and we are concerned that the risk of relocation is very real if high prices become systemic – continuing the carbon and investment leakage in our sector[2]. All these metals will be required in higher volumes to supply key Green Deal value chains such as batteries, electric vehicles, wind turbines, solar panels and grid infrastructure, and it's crucial that Europe retains its domestic supply base.

The causes of rising electricity prices are multifaceted, including the shortage of wind energy, high coal and gas prices (partly due to geopolitical developments with Russia and China), the longer maintenance of nuclear power plants in France, and the sharply increased EU ETS price to higher than 60 euros per tonne. This complexity means there is no one simple solution to the problem, which may further intensify over the winter period given concerns over storage filling levels This would lead to further higher electricity prices as gas is often the fuel used to cover demand that cannot be covered by stochastic once as renewable generation has been utilised. We ask the European Commission, working together with Member States, to seek to address the problem with concrete meaningful actions, for example:

i. Monitor electricity and gas markets for 'outages' this winter
ii. Ensure EU ETS prices do not rise too high; the use of the Market Stability Reserve to address excessive prices should be investigated.

---

[1] Electricity costs make up to 40% of the production costs for primary non-ferrous metals
[2] For example, 1/3rd of Europe's aluminium smelters have closed in the last 15 years

Eurometaux - European Association of Metals
Avenue de Tervueren 168, Box 13 | B-1150 Brussels | Tel: +32 (2) 775 63 11 | www.eurometaux.eu | eurometaux@eurometaux.be | @Eurometaux

iii. Encourage schemes supporting corporate power purchase agreements for carbon free electricity, especially aimed at electro-intensive industries which can provide a medium to long term mitigation

iv. Ensure sufficient access to carbon free electricity at globally competitive prices for industry and retaining sufficient backup capacity in the grid

v. Develop more flexible State Aid Guidelines to allow Member States to react accordingly during periods of dramatic market stress; governments need to have the possibility to react to unforeseen setbacks that may appear on the road to climate neutrality

In addition, the Commission needs to encourage Member States to reduce or cap taxes and surcharges on electricity for the most electro-intensive and to fully compensate for the indirect costs of the EU ETS. It should be noted that while power prices have increased in many countries across the globe, industry in most countries outside Europe benefit from regulated tariffs set by local governments, giving them a large advantage vis-à-vis their European competitors.

Failure to do so would not only risk relocation in the electricity-intensive metals sector but would also undermine the wider attractiveness of industrial electrification. The European Commission identified access to carbon free electricity at globally competitive prices as a key priority area for the climate transformation of energy-intensive industries in in the European Commission 'Clean Planet for all' 2050 Climate neutrality strategy. It is an essential framework condition to realise climate neutrality by mid-century and would already lower the metals industry's overall greenhouse gas emissions by 81% compared with 1990 levels. But if frontrunner industries like ours cannot stay competitive and survive this decade, it will be a major disincentive for other sectors like steel and chemicals to follow the metals lead through electrifying their own production processes.

We trust that our concerns and suggestions will be given due consideration and hope to discuss them further in a meeting with you.

Guy Thiran
Director General, Eurometaux

Eurometaux
European Association of Metals

Mikael Staffas
President, Eurometaux
President and CEO, Boliden

NEW BOLIDEN

Eurometaux - European Association of Metals
Avenue de Tervueren 168, Box 13 | B-1150 Brussels | Tel: +32 (2) 775 63 11 | www.eurometaux.eu | eurometaux@eurometaux.be | @Eurometaux