



EU ECCP WG meeting on ETS - 8-9 March 2007

European aluminium
industry position on EU ETS

The global framework

- The European aluminium industry supports global market-based mechanisms to:
 - Achieve real GHG reductions where the opportunities for this are most favourable;
 - Stimulate the development of new emission abatement solutions;
 - Give business the flexibility to adapt its GHG reduction plans in time and place
- However, we do not yet have an effective global trading system
- Industry welcomes all sound initiatives to reduce GHG emissions and is following developments of Kyoto plans, AP6 and different local initiatives/agreements with interest.
- The aluminium industry has a global voluntary objective for PFC reduction through the International Aluminium Institute.

European aluminium industry situation

- The aluminium sector is presently not included in the ETS
- Despite this, the aluminium industry as a sector is already heavily impacted by the indirect effects from the ETS due to the increase in electricity prices
- This is due to the "pass-through costs" from the power producers
- Several independent studies confirm that aluminium is the sector suffering most from the indirect effects of ETS
 - Carbon Trust study 2004
 - IEA study 2005
 - Energy Research Centre Netherlands 2006
 - EU ETS Review – Report on International Competitiveness 2006

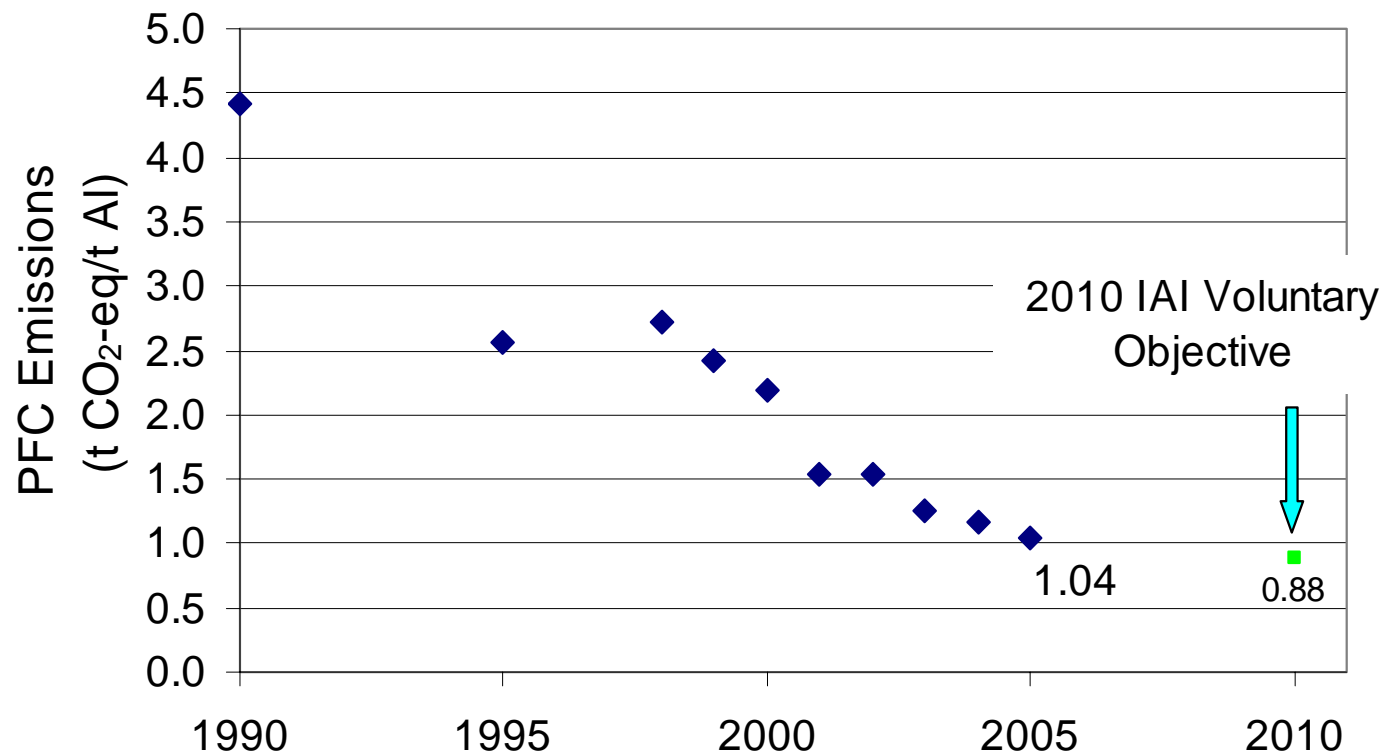
Competitiveness challenges

- The aluminium industry is operating in a global market
- The global prices for aluminium is set by the London Metal Exchange and there is no possibility of passing any costs on to customers due to higher costs from ETS or other European regulations
- The EU ETS is already proving to be a major factor impacting the future of European smelters, due to:
 - Pass-through costs
 - Lack of predictability in the evolution of the EU ETS
 - Uncertain energy scenario
- Moving this production to other parts of the world does not improve the global GHG emissions

Aluminium industry performance on GHG

- The aluminium industry is regulated by IPPC and European plants will be operating to BAT before 2012
- There is limited possibility to reduce GHG emissions further unless there is a technology breakthrough
- The primary aluminium industry has cut the total emissions of PFC gases by 75% since 1990
- The total emission of GHG from the aluminium production chain (alumina, primary, semi fabrication and recycling) has been reduced by 45% from 1990 to 2005. This is more than the most ambitious reduction targets from the EU
- Several examples of successful negotiated agreements on GHG reduction in European countries
- The industry continues its commitment to R&D investments in order to improve existing technologies and achieve technology breakthroughs

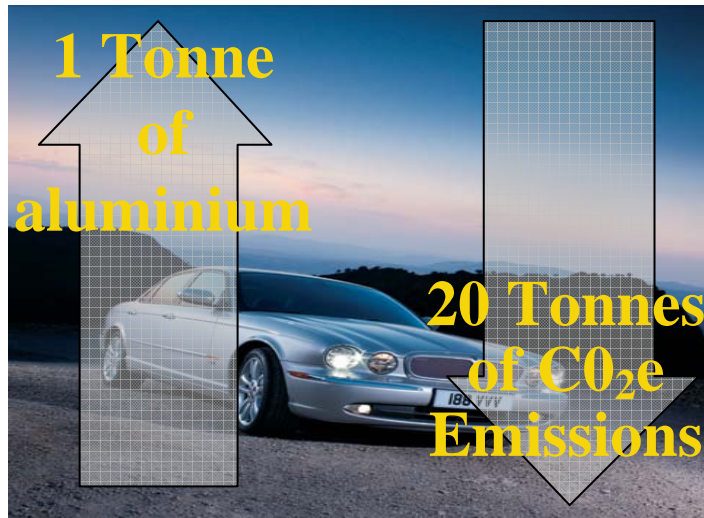
PFC Emissions Trends t CO₂-eq/t al



- ✓ 76.4% reduction in PFC emissions per tonne aluminium produced relative to 1990 baseline

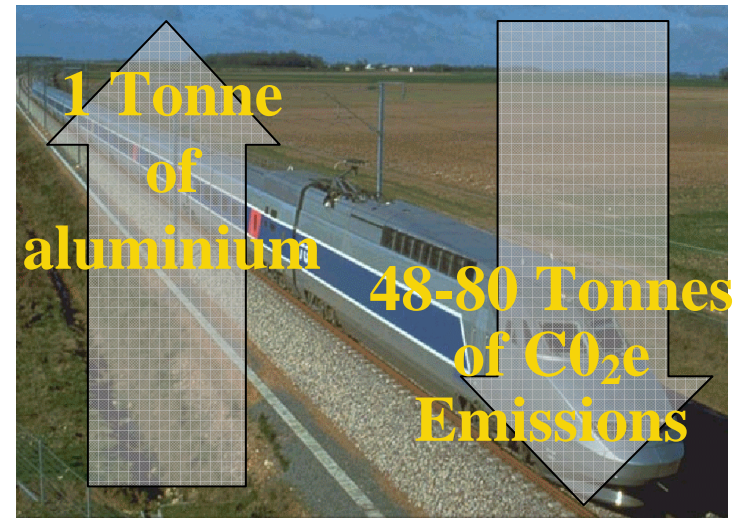
Aluminium industry contribution to GHG emission reduction

- Aluminium is part of the solution to the climate change challenge due to its use for light weighting in transport applications, leading to reductions in energy consumption and GHG emissions.
- The amount of aluminium recycled both from fabrication and used aluminium products continue to increase, in Europe by about 4% per year over the past decades.
- Recycling of aluminium reduces GHG emissions by about 95% compared to primary aluminium



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European aluminium industry position

- **The European aluminium industry is prepared to work with the Commission to find solutions which:**
- Can solve or compensate for the present problem of pass-through costs
- Achieve the maximum reductions in GHG emissions based on present technology
- Are open to participation from the industry in other regions on equal terms

The European aluminium industry poisition on the post 2012 ETS

- The industry is doubtful about the benefits of including the sector in the EU ETS because:
 - The industry is already heavily exposed to the ETS through indirect effects
 - The industry is competing on global markets and have no opportunity to pass on the costs
 - The industry has already made a significant contribution to GHG emissions reductions in Europe and have limited possibillities for further reductions
 - This would contribute very little to the overall environmental objective of reducing GHG emissions and further damage the competitiveness of the European industry

European aluminium industry commitments

- The industry is prepared to enter into agreements with the EU authorities in order to explore further reduction possibilities based on industry benchmarking
- Would be prepared to base this on MRV principle equivalent to ETS and with penalties for non compliance
- The industry is exploring the possibility of a Global Sectorial Agreement for GHG reductions from the aluminium industry, involving also countries which are today outside the Kyoto protocol
 - Could possibly link this to the EU ETS
- Also consider recognition of aluminium contribution to GHG reductions through its applications and recycling efforts