



EUROPEAN ALUMINIUM ASSOCIATION POSITION ON EU EMISSION TRADING SCHEME - SECOND PHASE AND POST 2012

Introduction

The aluminium industry is currently one of the sectors not included in Annex I of the ET Directive and some of the GHG gases emitted from the industry are also at the moment not included in the Directive. However, due to divergent interpretation in different Member States some of the boilers and furnaces in the industry are incorporated in some of the National Allocation Plans.

Aluminium industry contributions to GHG reduction.

The global aluminium industry has taken the GHG challenge seriously, and after PFC gases emitted from primary smelters were identified as very strong GHG's the industry has focused on reducing the emissions of these. According to data from the International Aluminium Institute, global emissions of these gases from primary smelters have been reduced by more than 75% since 1990. The emissions from European smelters have improved by a similar amount and are even lower than the global average.

The aluminium industry also continues to build the recycling rate of aluminium both from the fabrication and from used aluminium products. Recycling aluminium is a process, which reduces GHG emissions by about 95% compared to production of primary metal. In Europe the production of recycled metals has increased by an average 4% per year over the past two decades and as a consequence the contribution of recycled metal to the total consumption is increasing.

Aluminium can also be seen as part of the solution to the climate change challenge. The use of aluminium in, for example, all transport applications helps to significantly lightweight any transport mode from automobiles to aircraft, and thereby reduces energy consumption and GHG emissions. According to preliminary industry projections and with the proper public policy and regulatory recognition, the increased recycling performance and increased use of aluminium in transport applications alone could lead to the aluminium industry becoming climate gas neutral in 2020.

Avenue de Broqueville, 12
BE - 1150 Brussels - Belgium
Phone: +32 2 775 63 63
Fax: +32 2 779 05 31
Email: aaa@aaa.be
Website: www.aluminium.org



Aluminium industry position towards EU ETS

The aluminium industry supports the principle of emissions trading as one of the tools necessary for the EU to achieve its Kyoto protocol targets.

The aluminium industry in Europe contributes to the GHG emissions primarily through the alumina plants, primary smelters and associated energy sources. Other minor sources are semi fabrication and recycling plants.

Including all these plants in the second phase or a potential third phase of the ETS, as it is currently designed, would not in itself help to further the aims of the scheme or meet the EU's Kyoto commitments.

Firstly, this would contribute virtually nothing to the environmental objective of reducing GHG emissions. The European plants have as already mentioned made significant reductions in their GHG emissions and the potential for further reductions are limited.

Secondly, this would not have much impact on the total quantity traded anyway since there are only a few alumina plants and primary smelters involved and the quantity is limited.

Furthermore, it would add significant operating cost for the plants from participating in the systems, and would not be the most cost effective way of achieving further reductions in GHG emissions. The industry cannot pass on added costs to customers since aluminium is a globally traded and priced commodity, with the price set by the LME. The aluminium industry, most significantly the primary smelting sector, has invested significantly to reduce energy consumption and emissions. It continues to do so wherever still possible, and at the same time is facing significant cost increases due to increased electricity prices, part of which is a direct result of the ETS.

Finally, looking at the wider picture of sustainable consumption, aluminium as a lightweight material offers full life cycle benefits through reducing energy requirements in the use of the products into which it is made. Capping aluminium production, through putting an absolute cap on emissions for an industry that has an excellent record in GHG emission reduction and limited potential for further reduction, would in essence cap production of the material in Europe.

Since there is a limited number of alumina plants and primary smelters, all with good records on emissions and which operate under the IPPC Directive, the industry proposes to discuss other alternatives for achieving reductions of GHG, as this would both be more efficient and achieve the same end results at lower costs. This could be in the form of a negotiated reduction program, which has already been used by this industry in several European countries. The aluminium industry is also at the moment exploring the possibility of a global sectorial agreement for the aluminium industry, and the European situation should also be considered with this in mind. The European aluminium industry is committed to taking a proactive stance engaging in GHG emission reductions.

Aluminium industry key points.

- The European aluminium industry strongly believes that it should not be included in the second phase or a potential third phase of the EU ETS as it is currently designed as there would be little environmental benefit from this. It proposes to explore, together with the authorities, other possibilities for binding GHG reduction programs for the industry, which also takes in the global nature of this industry and possible international sectorial programs.
- The interpretation of the Annex I entry on thermal installations is currently creating confusion and unequal practises. The aluminium industry sees no point in having, within the same system, parts of a plant included in the ETS and other parts outside. The interpretation of this point must be tightened up to exclude all thermal installations which are an integral part of a process.
- Aluminium recycling helps to reduce the total GHG emissions and is a key component for sustainable development. Indeed, significant global GHG reductions may only be possible if certain industry sectors, notably the recycling sector, are allowed to grow. GHG from this sector should be well-managed by improving efficiency and reducing GHG on a specific basis, however absolute emissions should not be capped through inclusion in the ETS as it is currently designed. The industry is looking for further initiatives from the authorities to improve the basic framework for recycling, like the classification of aluminium scrap.
- Aluminium is part of the solution for the Climate challenge through its use in a large number of applications. A future system for crediting actions also needs to acknowledge this and give the appropriate recognition of such beneficial uses.

2005.10.26