

EU Energy Ministers are set to discuss and approve the draft [Council Regulation on emergency intervention to address high energy prices](#) as announced by European Commission President Ursula von der Leyen during [her State of the European Union address on 30 September](#). European Aluminium welcomes the new Regulation as an important step, but we remain deeply concerned by the absence of concrete and urgent measures (see our PR [here](#)). More is needed to avert further production cuts and job losses across the aluminium value chain.

The sky-high energy prices have had a massive impact on our sector so far. By the end of the year, European Aluminium expects a staggering loss of 50% (1.1 million tonnes) in primary aluminium production. These losses can be replaced by increased production in China, India, or the Middle East, often with a carbon footprint almost three times higher than in Europe.<sup>1</sup> The energy prices and looming gas shortages also threaten the viability of aluminium's downstream industry, which depends on gas and lacks substitution options in the short to medium term. Aluminium semi-fabrication (extrusion and rolling) processes require gas at a constant supply level.

Gas is equally critical for aluminium recycling because remelting aluminium scrap with gas is the only way to produce secondary raw materials, and aluminium recycling only takes 5% of energy compared to primary aluminium production, making it essential in reducing Europe's energy dependency on third countries.

That is why we call on EU and national policy makers to amend the draft Regulation by including the following additions. In particular, they must:

1. Amend Article 9 on emergency intervention to address high energy prices to ensure that the resources from the application of the cap on inframarginal market revenues are used to reduce both electricity and gas bills for critical industries such as aluminium, which are strategic for achieving EU's decarbonisation and circularity agenda.
2. Amend Article 7(2) in order to clearly clarify that EU Member States must exclude PPAs and other forms of bilateral long-term contracts from the inframarginal cap. PPAs offer a key route out of this crisis for energy-intensive consumers. The current wording of the Regulation makes it impossible to sign a PPA.
3. Allow for temporary public intervention to reduce gas prices (not only electricity) for energy intensive industries that are closing or reducing production due to the energy crisis, by using revenues from the cap to allow operators to supply gas below cost, along the same conditions outlined in Article 12. These should also be used to incentivise long-term contracts for gas.
4. Use the proceeds from the temporary solidarity contribution from Article 16 to finance schemes under the EU Temporary State Aid Framework to support critical industries in these times of crisis. They should not be, at least in the short-term, conditional to decarbonisation investments. It is unreasonable to expect consumers who are already shutting down to invest even more money (which they don't currently have) in order to secure the aid that will be necessary for their survival.

**With regards to other possible emergency measures, we propose to:**

1. EU Member States must prioritise measures to safeguard critical non-protected consumers such as the aluminium industry in their upcoming national emergency plans to be revised by the end of October.

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<sup>1</sup> China's primary production process has a carbon footprint 20 tonnes of CO<sub>2</sub> per tonne of aluminium compared to Europe's (EU, EFTA, UK, Turkey) 6.8 tonnes of CO<sub>2</sub> per tonne of aluminium.

2. The EU Commission must amend Article 2 of the Security of Gas Supply Regulation to include a definition of energy intensive industries as critical industries (as defined under Article 6 of the Council Regulation on coordinated demand reduction measures for gas) in the list of protected consumers. This would avoid a fragmented approach across Europe when EU Member States decide on which industries need to reduce gas consumption, and ultimately protect European businesses and citizens from material supply disruptions across the Union. Ensuring supply security is vital to prevent further closures and job losses throughout sectors dependent on aluminium for their products and services.
3. Swiftly agree on a solution for reducing European gas prices. Any proposal to cap the price of gas must ensure security of supply, affordability, price predictability and not lead to an immediate supply shortage in Europe while safeguarding hedging possibilities and boosting new renewable energy production across the Union.

In the longer term, any reform of the EU energy market must be adapted to future market realities (predominance of renewable generation) and supply disruption risks.

To ensure the decarbonisation of the European energy system, the energy market must safeguard security and affordability of supply, as well as investment and dispatch signals.

For further information, please contact:

**Emanuele Manigrassi**

Senior Manager Regulatory Affairs - Climate & Energy

P +32 2 775 63 97 / M +32 471 73 53 06

**Léa Malfrait**

Regulatory Affairs Officer

P +32 2 775 63 97/ M +33 6 83 24 37 75

European Aluminium, Avenue de Tervueren, 168 – 1150 Brussels, Belgium