

**Targeted consultation**  
**European Aluminium – Summary**  
**1 December 2020**

**Most distortive subsidies:**

Foreign subsidies in the aluminium sector mainly stem from China, as well documented by the Commission trade distortion report on China and the 2019 OECD report on distortion in aluminium sector.

There might be similar cases in the Gulf Countries, but not of the same scale.

Two main types of subsidies in China: (i) concessional loans by state owned banks to state owned and private companies and (ii) energy and input subsidies.

Chinese subsidies lead to unfair competition on the internal market not necessarily from the direct beneficiary of the subsidy. Rather, the subsidies are given to a company at the very beginning of the value chain (producers of primary aluminium) that passes on these benefits to companies further down the value chain, such as the producers of semi-fabricated aluminium products. The latter then import into the EU at prices lower than in the EU. China started also exporting final products to the EU like trains, taking market shares from EU companies. This approach is difficult to address under existing trade rules.

**Consequences of subsidies:**

Distortion 1 (offer better prices) is the main issue, manifesting in dumping of semi-fabricated Chinese products in EU, USA as well as in other territories.

Distortion 2 (more easily expanding operations) is the second largest issues, manifesting in subsidised acquisitions of aluminium production facilities located in the EU.

Distortion 2 might ultimately also lead to distortions caused by the operation of subsidized companies in the EU internal market.

As regards quantification of foreign subsidies, European Aluminium pointed to two ongoing antidumping investigations in the aluminium sector, both on semi-fabricated products.

**Policy options:**

European Aluminium does not support the option of doing nothing. It does not see a need to further adapt existing TDI rules, but pleads for more efficient implementation of the existing rules. In particular, the

Commission should make use more often of the possibility to start cases ex officio. In addition, the possibility to impose retroactive duties after registration should be used more often.

In addition, they favour having new tools covering modules 1 and 2. They are not opposed to module 3 and the proposals on EU funding, but generally see public procurement as less of an issue.

European Aluminium highlights that competent supervisory authority should have sufficient capacities to deal with new tools, both in terms of budget and resources.

### **Impact of policy options:**

There is a risk that China aims at taking over EU markets, in particular through moving down the value chain (such as in the train sector). This would have negative consequences on EU customers, who would be impacted e.g. through higher prices.

There are many SMEs active in extruding aluminium in the EU.

EU companies might have to cut down on employment in light of distortions on the internal market and have already done so. In terms of environmental impact, producing aluminium requires a lot of electricity, amounting to 40% of production costs in the EU. To be noted that the carbon footprint of Chinese production is three times higher than of EU production, as the electricity used it is still based on coal.

### **Administrative burden for the aluminium sector:**

European Aluminium points out that a complaint based process such as in the TDI creates important costs for companies, as they are very time consuming. It would therefore be advisable to have presumptions and reversal of burden of proof, in particular for countries such as China, which are “repeated offenders”.

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