

## Public consultation on draft ETS State Aid

Zinc is a commodity produced and traded worldwide. With a production of approximately 650 ktons of Zinc and Zinc alloys per year, Nyrstar is Europe's second largest primary zinc producers with operations in Belgium, France and the Netherlands. In total Nyrstar employs ca. 3000 direct plus indirect employees.

For years Nyrstar has participated in the countries' different energy reducing programs. Not only has Nyrstar invested in new installations and equipment to reduce the energy consumption, also Nyrstar has played a crucial role in measures to reduce the carbon footprint of its key customers. Finally, ca. 30% of Nyrstar's feed materials come from the recycling of the steel industry, reducing the need for new primary concentrates.

Nyrstar's zinc smelter emits nearly zero direct CO<sub>2</sub> emissions. However, the electrical consumption is very large. Approximately 85% of the electrical consumption of a zinc smelter are electrons required as a raw material for the electrolysis process. A zinc smelter cannot reduce this as it is a physical law. In order to make zinc, we convert zinc in solution Zn<sup>2+</sup> with 2 electrons to elemental zinc. The total electrical costs of a zinc smelter are approximately 40% of the cost of producing zinc. Therefore, a zinc smelter's competitiveness is greatly dependent on the price of electricity.

Any increase in the price of electricity cannot be priced into the final product. The price of zinc is set worldwide by the LME. Therefore, also any increase in ETS cannot be priced to the customer. Any price increase will have a direct impact on the competitiveness of the smelters and the company.

With this submission to the public consultation on the draft ETS State Aid Guidelines for the period 2021-2030, Nyrstar wishes to point out why the ETS State Aid is specially applicable to the zinc business: 1) zinc plants are very electrified with no possibility to reduce the raw materials needed for the electrolysis, 2) zinc production has very limited direct CO<sub>2</sub> emissions and 3) that Nyrstar is a price taker and therefore cannot price any increase in electricity to the customers, reducing its worldwide competitiveness.