Developing a sustainable European industry of base metals

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The Committee on Industry, Research and Energy adopted the own-initiative report by Edouard MARTIN (S&D, FR) on developing a sustainable European industry of base metals.

The report stressed the **importance of the base metal industry for a whole range of downstream industries**, including the automotive industry, the aerospace industry, energy production, the construction industry and packaging.

Europe, which is already heavily dependent on raw materials, **cannot afford a new dependency to develop in respect of base metals**, which would have a very adverse impact on the aforementioned downstream industries. In the steel industry, the EU has a flat steel production capacity shortfall due to the massive closures of recent years and a revival of demand. Demand for non-ferrous metals such as aluminium and copper is constantly growing despite the crisis.

The overriding need to act on climate change and high energy prices: Members stressed that a redesign of the current EU emissions trading system (ETS) system is one of the most pressing issues in terms of ensuring the competitiveness of the base metals industry. They called on the Commission, when reviewing the ETS, to **reward the best performers within energy-intensive industry** from the point of view of producing goods while achieving lower emissions.

They called for energy-intensive industries to continue their efforts to optimise recycling arrangements and cut CO2 emissions with a view to ensuring future industrial competitiveness and meeting the EU's established binding reduction targets.

Carbon border adjustment –- a temporary and flexible measure of international dimension in line with the WTO: Members are looking forward to the COP21 climate conference in Paris, stressing the fact that an **ambitious international agreement on combating climate change** that creates a level-playing field for all countries prepared to cooperate at multilateral level and forge a coherent global environmental regime to reduce carbon emissions would be the most positive way of dealing with global emissions. Such an agreement would allow for fair competition for all base metal producers and would render considerations of border adjustments unnecessary provided that its implementation was subject to effective monitoring and any adjustments that were required; points to the fact that such an international agreement must necessarily include reliable commitments by the strongest emitting countries.

The report noted that the border carbon adjustment mechanism incorporates into European regulation an emissions reduction model also encompassing a consumption-based territorial approach and that this kind of bottom-up approach has the advantage of offering a universal solution that enables each state to decide in a sovereign manner how ambitious its climate policy is to be, subject to a careful impact assessment of the consequences. The Commission is called upon to: (i) ensure that **future trade agreements** include provisions which significantly improve export opportunities and market access for European base metals products; (ii) include prohibition of distortive raw materials practices (dual pricing, export restrictions) in regional, bilateral and multilateral free trade agreements.

Compensation for indirect emissions: Members regretted that the state aid-based compensation regime for indirect costs has created a new source of unfair competition on the EU single market among producers in electricity-intensive sectors, some of whom receive financial support from the authorities in

their countries. They urged that this **compensation be harmonised and, if justified**, be granted at European level in order to ensure a **level playing field** with global competitors and among European producers and ensure effective carbon leakage protection.

Support for investing in the production of low carbon metals: the report urged that free allowances for the most efficient installations in the carbon-leakage sectors be allocated on the basis of programmes for investment in new equipment, R&D (including the capture, storage (CCS) and use of carbon (CCU)) and the training of workers, as soon as possible and at all events starting 2018 and during the fourth stage, covering the period 2021-2030. They stressed the absolute need for investment in research and development to **enable Europe to remain a centre of excellence** for the production of base metals.

Members called for ETS auction revenues to be **used to finance climate action** inside the EU and in developing countries, including for investments into renewable energy and energy efficiency projects in industrial sectors.

The report also stressed the importance of:

- increasing **transparency** in the use of allocation revenues by Member States which would help citizens see how ETS revenues are being used by national authorities;
- improving the competitiveness of Europe's base metal sector of the possibility of concluding long-term contracts, under certain conditions to be clarified by the Commission, which must be compatible with a return on investment, the duration of which must be no less than 15 years in the case of highly capital-intensive industries. Rather than annual electricity auctions, preference ought to be assigned to long-term stability of electricity supply contracts;
- organising the **transfer of skills** between generations of workers to be organised in all plants putting in place active employment and industrial policies ensuring that this knowledge is developed and recognised as an important asset of the European base metal industry;
- creating **European diplomatic action** relating to raw materials for metal production based on strategic partnerships to share added valued between European countries and countries producing raw materials.
- concluding the revision of the two regulations on **trade defence instruments** (TDI), in order to streamline, reinforce and speed up these instruments, ensuring that they are not weakened;
- ensuring that the Commission, in its analysis and comparisons, when defining relevant geographic markets, **takes the global market as a reference** and does not limit its analysis simply to the internal market;
- encouraging the establishment of a **circular economy** at every base metals production plant in order to link the exploitation of by-products and recycled metals with the aim of increasing their competitiveness.

Lastly, the Commission is called upon to: (i) develop economic incentives for recycling metals, including currently uneconomical critical raw materials such as rare earths, (ii) investigate how markets for recycled materials can be supported by inter alia green certificates for recycled materials, eco-design requirements and fiscal incentives, (iii) ensure that cohesion policy and European Fund for Strategic Investments (EFSI) budgets are also leveraged to promote resource efficiency and recycling.