Why do best performers need **full & predictable compensation** for indirect costs?

Global Competitiveness

- A CO_2 price of €15 = indirect costs >10% of global Aluminium sale price
- An unsustainable level for globally-priced sectors, who cannot pass-on extra EU costs.

A Genuine Single Market

- Only 6 countries partially compensate for indirect costs
- 40% of non-ferrous metals production misses out on any compensation

Cross Industry Fairness

- Indirect costs for zinc production can be 20 times the cost of ETS direct emissions.
- EU rules should protect all industries equally, fully compensating direct & indirect costs

A smart hybrid model

3 principles for full compensation of indirect costs

1 At least 50% centralised EU compensation

Providing a baseline across all Member States, to reduce the divergence of compensation regimes

2 Voluntary Member State top-up, to benchmark levels

Supplementing central EU compensation, to preserve the global competiveness of Europe's most sustainable installations

3 No degression over time

Fostering long-term predictability, to encourage new investments and innovation

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WHAT ARE INDIRECT COSTS?

Electricity producers raise electricity prices to offset their ETS allowances. This increases production costs for industrial customers, especially those using a lot of electricity. Non-ferrous metals prices are fixed globally, and so we cannot pass these indirect costs onto our customers.

Benefits of non-ferrous metals production in Europe

Economic

Europe will need 5-10% more non-ferrous metals by 2025. EU value chains require local metals production

Climate

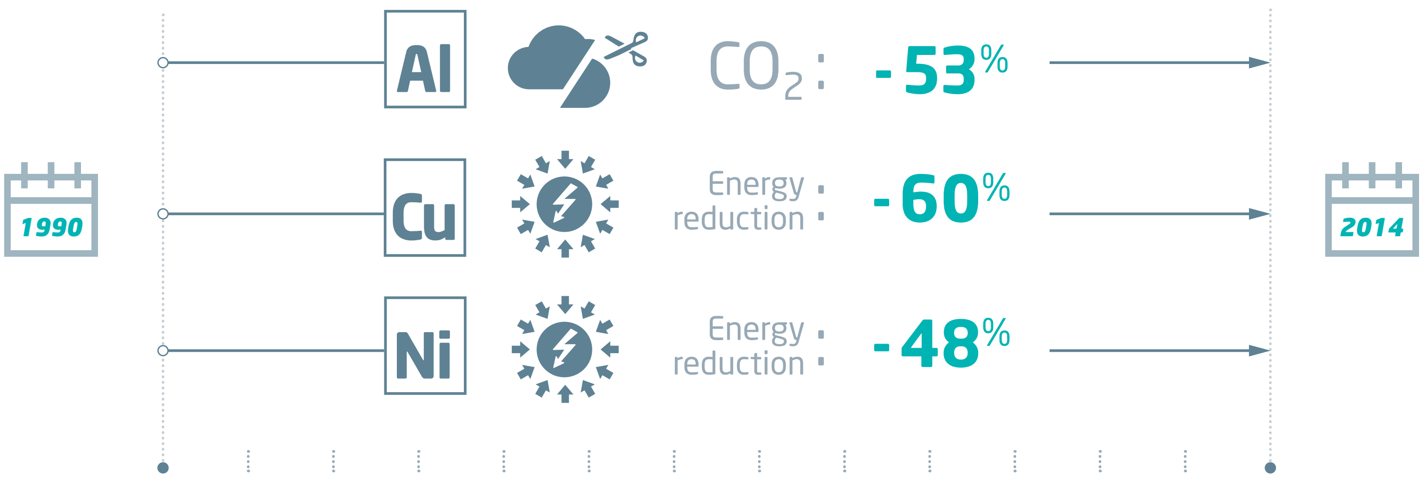
European producers are world efficiency leaders. European Nickel production is 7x more efficient than in China.

Social

The European non-ferrous metals industry employees 500,000 workers

A commitment to improve efficiency

Europe's non-ferrous metals industry has invested significantly in fostering the next generation of efficient producers.



Why are metals globally priced?

Non-ferrous metals are sold at the same price all over the world. Global prices are set by the London Metals Exchange or other mechanisms, to provide transparency for metals trading.
Our extra EU regulatory costs cannot be passed-on due to these fixed prices, making it more expensive to operate in Europe than other areas of the world.

Price-taker industries should be awarded the highest level of carbon leakage protection for direct and indirect costs

SOURCES

- Data from European Aluminium, Nickel Institute, International Zinc Association, European Copper Institute (2016)
- Demand forecasts from CRU and Wood Mackenzie (2014)
- Case studies from Norsk Hydro, Aurubis, Rio Tinto