

Backgrounder on impact of MES China on European aluminium industry

Key messages

Unilaterally granting China MES before it becomes a market economy puts the EU manufacturing industry at serious risk. Without effective trade defence instruments, China's huge overcapacity will turn aluminium into the next steel.

China is not a market economy:

- It fails to meet the 4 out of 5 EU criteria
- Enormous subsidies: 2 Chinese aluminium companies receive 57% of total Chinese electricity subsidies
- Five-Year Plans: By 2020 China will add another 9 million tonnes of primary aluminium capacity (about three times EU capacity), despite the fact that most large Chinese aluminium smelting companies do not make any profit

China's aluminium overcapacity puts the whole European value chain at serious risk:

- An independent study conducted by the Economic Policy Institute (EPI) found that granting MES unilaterally puts 80,000 European aluminium jobs at risk.
- China counts already today for 53% of all primary aluminium production, compared to 10% in 2000. Total Chinese capacity in 2020 is forecasted to be as large as the global world demand for primary aluminium right now. Chinese overcapacity in primary aluminium is currently 5 times larger than the total EU primary production.
- Production of semi-fabricated aluminium grew by a factor of 5 in less than a decade. In 10 years the total rolling capacity in China tripled to around 15 million tonnes. Chinese overcapacity in rolling is as large as the total demand for rolled products in the EU (5 million tonnes), and is expected to rapidly increase.
- China is exporting more and more semis aluminium products to EU. Chinese exports of semis aluminium products increased by 21% in 2015 (and by 17% in 2014). For instance, in 2015 Chinese exports of Flat Rolled Products increased by 27% and by 21% for extruded products.
- Since 2007, primary aluminium production in the EU dropped by 30% (-1 Mt). During the same period, the EU lost 8 out of 24 smelters and some of the remaining facilities are still struggling.
- On the other side, EU dependency on imports of metal is still increasing. Around half of the EU's consumption of aluminium metal is imported. Additionally, aluminium demand is continuously increasing

and cannot be fed by recycled material alone. Primary aluminium is expected to grow by 1.7% and 2.3% in 2016 and 2017.

- The US will not grant MES to China and has asked the EU not to do so. As China's biggest trading partner, unilaterally granting MES exposes the EU to a flood of imports.

Chinese production impacts the EU's climate targets:

- Chinese annual production of primary aluminium equals the overall CO2 emissions emitted in the United Kingdom. Also, more than 80% of China's aluminium primary production is dependent on coal-fired power plants, compared to around 10% in Europe.

More information:

<http://european-aluminium.eu/data/>

<http://aegiseurope.eu/>

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