

Brussels, 15 February 2010

Mr. Joaquín ALMUNIA

Vice-President of the European Commission
Competition Commissioner
European Commission
1049 BRUSSELS

Dear Commissioner Almunia,

Immediate need for compensation to offset ETS CO2 cost pass through: German state aid proposal

EMF and Eurometaux, representing the combined European non-ferrous metals trade unions and industry, would like to ask for approval of the current German state aid proposal, outlined below, which is of critical importance for the survival of the non-ferrous metals industry in Germany and Europe.

The European NF metal industry is an important supplier of raw materials for the European industry and its metals are indispensable materials for climate protection. Europe is already now a net importer of NF metals and should not become even more dependent on imports from overseas. In terms of energy efficiency and the protection of the environment the European manufacturers generally set the international standard.

Given the unique global uniform price setting at the London Metals Exchange, the EU NF industry competes on a global level and is not able to pass on regionally imposed costs. Electricity is a very substantial part of these costs.

The European Emissions Trading Scheme created the pass through of CO₂ (opportunity) costs in power prices, which has contributed to spiralling electricity costs for our companies, since 2005. Unlike our global competitors, which do not bear equivalent carbon costs in their power prices, most EU smelters, their historic long term electricity contracts having expired, are already fully exposed to the ETS cost pass-through in power prices. As the remaining long term contracts end, almost all will be exposed within the next few years.

We very much welcome that the need for compensation for this impact is recognized in the ETS Directive, adopted by the Heads of State, in December 2008. It provides that Member States may offset the emission-related additional cost of electricity for electro-intensive industries. Unfortunately, while the power price has been impacted since 2005, this compensation for carbon leakage will apply only as of 2013. Most European smelters are in a critical situation and closures have already started.

The shutdown of the aluminium smelter in Wales in 2009, the closure of the Ruhr Zinc smelter in Germany, the recent suspension of production of the aluminium smelters in Italy, and the already huge reduction of production at the German Neuss aluminium smelter, are attributable to electricity prices which are completely non-competitive with those of our international competitors. The continued operation of the smelters in Germany will depend to a large extent on their ability to receive CO₂ price compensation with immediate effect, before 2013.

For this reason, on 17 December 2009, the German Federal Government reissued a state aid notification for the production of environmentally friendly produced nonferrous (NF) metals. This incentive is intended to offset the indirect cost component of CO₂ in the price of electricity to secure production of nonferrous (NF) metals, until the ETS provisions become available, in 2013.

We believe this is entirely consistent with the legislators' intentions when they provided for CO₂ cost compensation in the revised emissions trading directive. Immediate application of this principle is essential to meet the objectives of the Lisbon agenda, for our sector.

Approval of the German state aid directive would increase the level of confidence especially of non-European investors by proving that the EU and its member states are taking action to create reliable conditions for NF metal production and thereby help to preserve the entire value chain, in the EU. This is a necessity in all of European Member States in order to prevent carbon leakage and to secure the internal production of aluminium, zinc and copper until 2013.

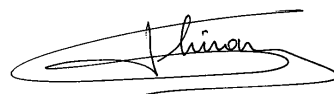
We understand that the state aid guidelines will be modified to implement the ETS provisions. To be effective, the modification must permit compensation based on the full CO₂ costs in electricity prices to avoid carbon leakage. As this procedure will take some time, similar interim measures must be adopted to prevent more closures and the very carbon leakage the ETS seeks to prevent. It is necessary and urgent that the EU makes it clear and transparent what measures can be taken by Member States to prevent more closures while respecting the EU competition rules.

In the interest of the workers affected, Europe's raw-materials supply and the avoidance of carbon leakage, we appeal to you to approve the German state aid directive at an early date. Please do not hesitate to contact us should you have any questions or suggestions.

Yours sincerely,



Secretary-General
European Metalworkers' Federation



Secretary-General
EUROMETAUX