

European Aluminium – EUROFER Joint Statement on the Global Arrangement on Sustainable Steel and Aluminium

The existential threat posed by worsening non-market excess capacity cannot be ignored

European Aluminium and EUROFER, the associations representing the European aluminium and steel industries in Europe, **urge policymakers not to lose momentum in the negotiations of the Global Arrangement on Sustainable Steel and Aluminium (Global Arrangement)**. The challenges of non-market excess capacity and decarbonisation are existential and require new aligned policy approaches among like-minded economies. Diverging individual policies and measures taken in isolation risk causing additional trade and market distortions.

Since the start of the negotiations in October 2021, non-market excess capacity has persisted, and even increased. Beyond the **massive market distortions in China** – which represent a concern of utmost importance for both the aluminium and steel industries - **new dynamics are creating additional non-market excess capacity in third countries**. Chinese state-supported capacities are expanding in third markets, some operating with cost-distorted Chinese inputs, and new, independent excess capacities are arising in other regions (e.g., Southeast Asia (ASEAN), India, the Middle East and North Africa) often with explicit export objectives. Overall, **these market distortions depress prices and increase costs, ultimately undermining the viability of the aluminium and steel industries** and their ability to invest in R&D and sustainability for a healthier future.

As the gravity of this situation is increasing day by day, **timing is crucial to effectively address non-market excess capacity as the first priority of the Global Arrangement by developing new trade tools - such as a common tariffication regime** - and establishing an appropriate import monitoring system including downstream value chains to avoid circumvention.

The green transition is imperative, yet it entails high direct and indirect costs that further undermine our industries' ability to compete. Despite the divergent approaches adopted in the two regions, **establishing common ground and levelling the playing field regarding production costs is pivotal to alleviating pressure on both sectors while reducing CO2 emissions from steel and aluminium at a global scale**. The negotiations on the climate pillar should therefore be intensified once the U.S. has finalised its domestic data collection.

Considering the above, the importance of the Global Arrangement has been unmistakable ever since negotiations commenced in 2021. With elections looming on both sides of the Atlantic, **we call on the EU and the US not to waste the progress made in the last two years and to continue negotiations to clinch a meaningful arrangement as soon as possible**.

Furthermore, a deal is critical to ultimately **find a settlement to the long-standing dispute over the Section 232 Tariffs**. Although the US Section 232 measure was intended to limit the disruptive impact of global non-market excess capacity in the US, it has impacted the European aluminium and steel industries, neither of which exhibited any tendency towards global disruption. We expect that this unilateral action will dissolve if a substantial EU – US Global Arrangement, serving as a global template, is achieved.

We hope the above will be beneficial for the advancement of negotiations and remain available for any further collaborative efforts to make progress on this crucial agreement for the EU and US aluminium and steel sectors.

Paul Voss

Director General at
European Aluminium



European 
Aluminium

Axel Eggert

Director General at
The European Steel Association (EUROFER)



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THE EUROPEAN STEEL ASSOCIATION