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REPORT

on developing a sustainable European industry of base metals
(2014/2211(INI))

Committee on Industry, Research and Energy

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on developing a sustainable European industry of base metals (2014/2211(INI))

The European Parliament,

- having regard to the Treaty on the Functioning of the European Union, in particular Articles 147, 173, 174, 192 and 345 thereof,
- having regard to Council Regulation (EC) No 1225/2009 of 30 November 2009 on protection against dumped imports from countries not members of the European Community¹,
- having regard to Council Regulation (EC) No 597/2009 of 11 June 2009 on protection against subsidised imports from countries not members of the European Community²,
- having regard to Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency³, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC,
- having regard to Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control)⁴,
- having regard to Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC⁵,
- having regard to Directive 2004/35/EC of the European Parliament and of the Council of 21 April 2004 on environmental liability with regard to the prevention and remedying of environmental damage⁶, in particular Article 1 thereof and the corresponding recitals,
- having regard to the consolidated version of Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a Community scheme for emission allowance trading within the Community and amending Council Directive 96/61/EC⁷, and the various implementing regulations relating thereto,
- having regard to the Commission Communication of 25 February 2015 entitled ‘Energy Union Package’ (COM(2015)0080),
- having regard to the Commission Communication of 10 October 2012 entitled ‘A stronger European industry for growth and economic recovery’ (COM(2012)0582),

¹ OJ L 343, 22.12.2009, p. 51.

² OJ L 188, 18.7.9, p. 93.

³ OJ L 315, 14.11.2012, p. 1.

⁴ OJ L 334, 17.12.2010, p. 17.

⁵ OJ L 140, 5.6.2009, p. 16.

⁶ OJ L 143, 30.4.2004, p. 56.

⁷ OJ L 275, 25.10.2003, p. 32.

- having regard to the Commission Communication of 28 May 2015 entitled ‘European Energy Security Strategy (COM(2014)0330),
- having regard to the Commission Communication of 11 June 2013 entitled ‘Action Plan for a competitive and sustainable steel industry in Europe’ (COM(2013)0407) and the findings of the high-level group attached thereto,
- having regard to the Commission Communication of 8 March 2011 entitled ‘A Roadmap for moving to a competitive low carbon economy in 2050’ (COM(2011)0112),
- having regard to the Commission Communication of 26 January 2011, entitled ‘A resource-efficient Europe – Flagship initiative under the Europe 2020 strategy’ (COM(2011)0021),
- having regard to its resolution of 15 January 2014 on reindustrialising Europe to promote competitiveness and sustainability¹,
- having regard to its resolution of 15 March 2012 on a roadmap for moving to a competitive low carbon economy in 2050²,
- having regard to its resolution of 17 December 2014 on the steel sector in the EU: protecting workers and industries³,
- having regard to the European Council Conclusions of 23 and 24 October 2014 regarding the 2030 Climate and Energy Policy Framework,
- having regard to the report of 10 June 2013, commissioned by the Commission from the Centre for European Policy Studies, entitled ‘Assessment of cumulative cost impact for the steel industry’,
- having regard to the report of 31 October 2013, commissioned by the Commission from the Centre for European Policy Studies, entitled ‘Assessment of cumulative cost impact for the aluminium industry’,
- having regard to the Commission staff working document ‘Exploiting the employment potential of green growth’ (SWD(2012)0092),
- having regard to the WTO Agreement, also known as ‘GATT 94’, and in particular Article XX thereof,
- having regard to Rule 52 of its Rules of Procedure,
- having regard to the report of the Committee on Industry, Research and Energy (A8-0309/2015),

A. whereas base metals consist of:

¹ Texts adopted, P7_TA(2014)0032.

² OJ C 251 E, 31.8.2013, p. 75.

³ Texts adopted, P8_TA(2014)0104.

– common and special steels, stainless steels, high strength steels and super alloys,
– non-ferrous metals whose reference price is given by the London futures market in (LME), namely aluminium, copper, tin, nickel, lead and zinc,
– metal alloys such as cobalt, molybdenum, magnesium and titanium,
– rare earths,
which all result from a primary production process that combines mining and metallurgical processing by pyrometallurgy or hydrometallurgy, whereas the secondary production source results from a process of recovery and recycling;

- B. whereas the European steel sector has played a historically significant role in the European integration process and forms the basis of the generation of European industrial value added and of European value chains; whereas the base metal sector plays a key role in the development of the overall economy, both technologically and in overcoming supply bottlenecks; whereas the steel sector, which has seen over 40 MT of steel production capacity close since 2008 and has lost more than 60 000 jobs directly and over 100 000 jobs indirectly, is experiencing its most serious peacetime crisis ever, resulting in greater dependency of the industrial manufacturing sectors on imports from third countries and in losses of industrial know-how, with a direct impact on millions of jobs; whereas global overcapacity is believed to be between 300 million and 400 million tonnes, mainly in China;
- C. whereas the base metals industry is facing a significant drop in demand and strong global competition, mainly from third countries without the same high standards and strict regulations as in Europe;
- D. whereas energy prices in Europe are higher than in a number of other economies, mainly due to insufficient energy market integration, rising taxes, levies and network costs, and significantly restrict the competitiveness of the European base metals industry in the global market;
- E. whereas the European base metals industry faces serious investment leakage to third countries, mainly driven by comparably high energy prices and the cost of carbon cost;
- F. whereas the successive closures of European electrolysis plants processing metals such as aluminium, copper and magnesium show that Europe is rapidly deindustrialising when it comes to this sector, not because of a decline in European demand but due mainly to the increase in and the increased volatility of electricity prices in several Member States and dumping from third countries;
- G. whereas the alloys of metals such as steel, aluminium, zinc, titanium and copper (including galvanised sheets), which are defined in this resolution as base metals, are essential to the manufacture of electronics, machinery, appliances and motor vehicles and in construction; whereas the EU base metals industry should be considered as a strategic asset for European competitiveness, in particular for other industrial sectors and for the development of existing and new infrastructure;
- H. whereas addressing the issue of competitiveness and the risk of carbon leakage should be the priority and whereas any protectionist measures must be avoided;
- I. whereas since 2009 the EU *emissions trading system* (ETS) has experienced a growing

surplus of allowances and international credits compared to emissions which has significantly weakened the carbon price signal; whereas, in the future when emissions permits under the European ETS become more expensive, a competition crisis is likely to arise; whereas, unless a comparable effort is introduced at international or national level, namely through the introduction of a carbon market like the EU's, a number of industrial sectors and installations in the EU will lose international competitiveness which may to some extent lead to carbon leakage; whereas there still exists significant potential for energy savings in the base metals industry which could be tapped effectively through private investments and support schemes for plant modernisation;

- J. whereas the EU base metals industry is facing a race against time in order to regain its global competitiveness and capacity to invest in Europe and hence meet the social and environmental challenges it faces and which it must overcome while remaining a reference for the world in terms of the social and environmental responsibility of its operations; whereas worldwide overcapacity and unfair subsidies and dumping by third countries have brought additional pressure to bear on the European market for base metals; whereas production innovation has a positive effect on employment growth in all phases of the business cycle of industries; whereas on the other hand a number of undertakings have been pursuing strategies focusing on short-term financial returns to the detriment of innovation, investments in R&D, employment and skills' renewal; whereas involving workers in innovation and strategy definition is the best way to guarantee economic success; whereas fair trade in steel products can likewise only work in accordance with basic employment rights and environmental standards;
- K. whereas the exploitation of secondary metals (resulting from a process of recovery and recycling) is an imperative in an industrialised and resource-efficient economy and must be developed as a competitive and sustainable circular economy, but can by no means fully meet the base metal needs of European economies in terms either of quality or of quantity; whereas the EU's scrap trade balance is positive and more efforts should be made to incentivise scrap recycling in Europe; whereas the base metal industry, its raw materials and auxiliary suppliers should be treated in a comprehensive and integral way;
- L. whereas this is especially true of energy transition, as base metals such as rare earths are at the heart of the new technologies needed for this to take place; whereas the EU is still very much dependent on imports of the metals needed to produce renewable energy generation equipment that offer real opportunities for the sector, namely to overcome possible difficulties in supply; whereas investments in renewable energy and energy efficiency are an important driver for investments in industrial products, including copper, aluminium and steel; whereas an ambitious European renewables and energy-savings policy could drive future base metal demand in Europe and, in particular, provide an opportunity to produce high value-added products; whereas there is a lack of corporate environmental responsibility and whereas certain industrial sites are in flagrant violation of European legislation and certain abandoned sites pose a threat to human health and the environment; whereas environmental standards and circular economy principles should be fundamental to development and innovation investments in the base metals industry sector in Europe; whereas the Commission's Energy Roadmap 2050 finds that decarbonisation of the energy sector and a high renewables scenario is cheaper than a continuation of current policies, and that over time nuclear and fossil fuel energy prices will continue to rise, whereas the cost of renewables will

decrease;

- M. whereas the opinion of Parliament's Committee on Industry, Research and Energy on recommendations to the Commission on the negotiations for the Transatlantic Trade and Investment Partnership (2014/2228(INI)) underlined the importance of a chapter on energy, addressing all existing measures that limit or condition energy exports and at the same time stressed the disadvantage of EU energy-intensive industries and the need to safeguard their competitiveness;
- N. whereas only an ambitious innovation policy which clears the way for the development of high-quality, energy-efficient and innovative products (such as high-strength yet flexible steels) and new production processes will enable the EU to hold its own in the face of ever more severe global competition; whereas 65 % of business spending on R&D is done by the manufacturing industry, and whereas the strengthening of our industrial base is therefore essential to keeping expertise and know-how in the EU;
- O. whereas the EU base metals industry is losing its competitiveness, partly due to high regulatory and administrative burdens;
- P. whereas the aim of the Energy Union Package is to create a secure, sustainable, competitive and affordable energy market in order to enhance the global competitiveness of the European economy, reducing and harmonising energy prices in Europe and among Member States;
- Q. whereas the recognition of market economic status to state-run or other non-market economies would undermine trade defence instruments and severely impact the competitiveness of the European base metal industries;
- R. whereas research, development and innovation in this sector is key for European industry; whereas plant closures often result in irreversible loss of technology and know-how and unskilling of the industrial workforce;

The importance of base metals for European industry

1. Stresses 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;
2. Considers that 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;
3. Points out that, 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;
4. Stresses that 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

5. Stresses that a redesign of the current ETS system is one of the most pressing issues in

terms of ensuring the competitiveness of the base metals industry; understands that the Commission has launched discussions which will culminate in the reform of the ETS for the fourth period 2021-2028 and calls, in this connection, for the reform to include the issue of carbon leakage and promote efficiency, industrial innovation and the optimal yields that this reform is supposed to guarantee, while considering supplementing the ETS with other innovative instruments and strategies in order genuinely to reduce emissions; calls 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;

6. Notes the establishment of the market stability reserve in 2019 and awaits the Commission's proposals for post-2020 structural reform of the ETS, which will be the subject of specific and separate scrutiny in Parliament;
7. Calls on the Commission, therefore, to amend the system for allocating emissions allowances via extensive application of the assessment used for the reference values applicable to industry, which are based on greenhouse gas emissions per tonne produced and not per facility, as it is the cleanest plants which, as an incentive, are needed to produce more; underscores, in this connection, the importance of a system that makes it attractive to invest in energy-efficient solutions;
8. Calls in this context for the abolition of the application of the cross-sectoral correction factor for the 10 % best performing installations faced with carbon leakage so that they can benefit from 100 % free allowances in the sectors at risk of losing international competitiveness due to high carbon costs, in order to promote the virtuous practices of industrialists and workers who have made the necessary efforts to achieve minimum emissions by adopting the best available techniques; believes that such a measure should have no impact on the overall emissions cap; points out that carbon leakage to those areas in the world responsible for the highest CO₂ emissions negatively affects global environmental issues;
9. Calls 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; stresses, in this connection, that industrial competitiveness, resource efficiency and emissions cuts are becoming complementary objectives since, if European production becomes carbon-virtuous, preservation of its share of the European and world markets is an effective means of contributing to an overall reduction in greenhouse gas emissions of industrial origin; adds that the same applies to the production of imported goods which meet the equivalent energy efficiency and emissions standards as to that of goods produced in the EU; stresses that undertakings in third countries that form part of the value chain must also act in line with the EU's climate and energy targets and take account of progress on energy efficiency in particular;

Carbon border adjustment — a temporary and flexible measure of international dimension in line with the WTO

10. Emphasises firmly that, ever since the creation of the International Negotiating Committee that prepared the Rio Convention in 1992, the EU has been seeking to negotiate with third countries an international agreement aimed at protecting against

climate change, but so far without success, despite the growing urgency highlighted by a virtually unanimous scientific consensus; calls for the continued leadership of the EU and highlights the crucial need to ensure that a global binding agreement is concluded at the Paris Convention, with a full commitment by all parties to effectively averting dangerous climate change; emphasises that these negotiations must lead to a legally binding agreement with economy-wide targets for all parties, respecting the agreed objective of limiting global warming to below 2°C; stresses that a comprehensive international agreement will level the playing field for industry and reduce the risk of carbon leakage from the EU;

11. Highlights that international climate action is the best recipe to prevent carbon leakage; looks forward, in this connection, to the COP21 climate conference in Paris; highlights 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; underlines the fact that 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; also points to the need for compliance with social and environmental standards in this connection, in order to create a level playing field;
12. Notes that, by taking both imports and exports into account, 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; calls on the Commission to ensure that future trade agreements include provisions which significantly improve export opportunities and market access for European base metals products; reiterates that the Commission should include prohibition of distortive raw materials practices (dual pricing, export restrictions) in regional, bilateral and multilateral free trade agreements;
13. Stresses that any measures affecting trade must respect international trade agreements; maintains that the climate policy objectives of protecting the life and health of humans, animals and plants, and of the conservation of finite natural resources, if applied in a non-discriminatory manner and not as a disguised restriction, are consonant with the exceptions set out in Article XX of the GATT Agreement; specifies that climate change, given its global nature, should receive legal attention; considers the fact that an atmosphere with a low carbon content (clean air) is already viewed as a natural resource that can be exhausted, and should therefore be considered a public good; specifies, moreover, that retaliatory measures could not be implemented as a result of the border carbon adjustment measures (BCAs) without violating the rules of international trade and without risk of conviction; reiterates that the purpose is by no means to protect European industries, but to place them on an equal footing with their foreign competitors;

14. Points out that it would be desirable to envisage partial reallocation of the revenue derived from auctions to environmental protection initiatives and measures to combat climate change, such as the Green Fund provided for in the Cancún Agreements and other international climate finance instruments;
15. Notes that agreed standards on the calculation of the carbon content and the life-cycle emissions of products increase transparency and can facilitate the promotion of sustainable production and consumption, including in the metals industry;
16. Stresses the need to create a database that provides information on the carbon content of products made by the base metals industry in Europe;

Compensation for indirect emissions

17. Regrets 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; urges 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; notes that this is especially true for the six non-ferrous metals that are traded against prices determined by global demand and supply, mostly set by the London Stock Exchange; understands, therefore, that base metal producers are ‘price-takers’, which are unable to pass cost increases on to their customers; reaches the conclusion that it is imperative to keep compensations on indirect emissions in place; refers to the agreement on the establishment and operation of a market stability reserve (2014/0011/COD) which states that ‘in pursuing the goal of a level playing field, that review should also consider harmonised arrangements to compensate for indirect costs at the Union level’; refers in this connection to Council Regulation (EC) No 1/2003 on the implementation of the rules on competition laid down in Articles 81 and 82 of the Treaty¹ and to Articles 107 and 108 of the Treaty on the Functioning of the European Union ; calls on the Commission to review the impact of various energy support schemes on the retail prices of energy which indirectly influence competitiveness of energy-intensive industries in individual Member States;
18. Considers that the differentiated carbon impact on electricity prices arising from the energy mix of each supplier is a factor in competitiveness and depends *inter alia* on the choices made by each sovereign state; welcomes the Commission proposal on the European Energy Union; believes that a well-functioning internal energy market that delivers secure and sustainable energy and ensures adequate interconnections of Member States will help to lower energy prices for European industry and consumers; considers that the ETS is an EU harmonised measure to reduce industry emissions and that its impacts should therefore be addressed through a harmonised system;

Support for investing in the production of low carbon metals

19. Urges 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

¹ OJ L 001, 4.1.2003, p. 1.

(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 in order to meet high standards of climate and environmental protection and employment rights; stresses the absolute need for investment in research and development to enable Europe to remain a centre of excellence for the production of base metals; recalls that industries which invest are the ones which survive crises most successfully; calls 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; supports the plans under the 2030 climate and energy framework to establish a facility (NER400) for carbon capture and storage, innovative renewables and low carbon innovation in industrial sectors as laid down in the conclusions of the European Council of 23 October 2014; proposes that pilot and demonstration projects relating to carbon capture, utilisation and storage should be part of programmes for the funding of low-carbon technologies promoted by the Commission along the lines of NER 300 and the future NER 400, with the financial risk being shared between the financier and the operator; recalls the importance of public investment and, in the European context, of Horizon 2020 funds, in improving the environmental and energy efficiency of the base-metal industry, including the achievement of lower carbon emissions in line with Europe 2020 targets; regards the training of workers in the application of low-carbon technologies and practices in industry as a strategic investment which ought to be fully incorporated into programmes promoted by the Commission to finance the transition to a low-carbon economy;

Financial accounting and transparency

20. Suggests that CO₂ allowances be made public on publication of companies' annual accounts and that the European Union encourage the resumption of work on an international accounting standard in this field;
21. Underlines the importance of transparency in the use of allocation revenues by Member States; refers in this connection to the obligation on Member States to inform the Commission as to the use of ETS revenues; underlines the fact that increased transparency would help citizens see how ETS revenues are being used by national authorities;
22. Emphasises that installations and companies must respect all legal requirements on social responsibility and reporting in order to ensure equal and effective implementation of environmental regulations and ensure that competent authorities and stakeholders, including workers' representatives and representatives of civil society and local communities, have access to all relevant information; underlines the right of access to information in environmental matters as laid down in the Aarhus Convention and implemented in EU and national legislation, including Directive 2003/87/EC; suggests that any facility classified as subject to the ETS should make comprehensive information available every year, including in respect of combating climate change and compliance with EU directives in the field of environment, safety and health at work, and that this information should be accessible to workers' representatives and to the representatives of civil society from local communities in the vicinity of the facility;

The issue of electricity supply contracts

23. Highlights the importance to 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; recalls the need felt by industrialists for their investments to be secured by means of predictable prices and a clear legal framework; stresses that, rather than annual electricity auctions, preference ought to be assigned to long-term stability of electricity supply contracts; expresses concern for market regulations allowing, in some Member States, for a structural gap between electricity prices and generation costs; calls on the Commission to fight against windfall profits of private oligopolies in the energy market;
24. Expresses concern at market regulations which allow for a structural gap between electricity prices and generation costs;

Transfer of skills

25. Calls for the transfer of skills between generations of workers to be organised in all plants which have unsatisfactory age pyramids for all highly skilled production posts; favours the promotion of the skills of young employees in businesses by means of a structural apprenticeship policy to develop the collective skills of employees; emphasises the importance of the skills and qualifications of workers in the base metal sector; calls for active employment and industrial policies ensuring that this knowledge is developed and recognised as an important asset of the European base metal industry; asks that the maintenance of industrial know-how and a skilled workforce be considered in assessing the viability of production in any particular plant;

Supply of raw materials

26. Calls for European diplomatic action relating to raw materials for metal production based on strategic partnerships to share added value between European countries and countries producing raw materials in such a way as to promote the development of skilled employment throughout the value chain; asks the Commission to establish an in-depth steel market analysis instrument that can provide precise information on the European and global steel supply-demand balance, distinguishing between structural and cyclical components of development of these markets; believes that monitoring primary and secondary base metals markets could provide valuable inputs to corrective and proactive measures which are inevitable due to the cyclical nature of these steel industries; welcomes the report by the European Rare Earths Competency Network (ERECON)¹; calls on the Commission to continue its actions under ERECON to develop a diversified and sustainable rare earths (REE) supply chain for Europe and, in particular, implement the policy recommendations and provide support for substitution solutions and greater recycling;

European trade protection measures in respect of base metals: prevention rather than a belated cure

¹ http://ec.europa.eu/growth/sectors/raw-materials/specific-interest/erecon/index_en.htm

27. Exhorts the Council to conclude 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; suggests a preliminary investigation phase of a maximum of one month for an initial review of anti-dumping and anti-subsidy complaints, following which, on the basis of the initial evidence, preventive correction measures may be announced and a thorough investigation conducted; deplores the fact that the legislative proposal on the modernisation of TDI is at a standstill in the Council despite the strong support which Parliament has expressed for tougher measures against unfair imports from third countries; calls on the Council to press ahead quickly with the modernisation of TDI, in order to ensure that an appropriate response to unfair practices can finally be put in place and that the European market can be protected against dumping, thereby ensuring a level playing field and full enjoyment of the opportunities afforded by the energy transition;
28. Adopts the aim of making rapid progress in the recycling of rare earths and critical metals consumed in the Union;
29. Emphasises that all base metals, including stainless steels and aluminium, are subject to global competition; considers it urgent for the Commission, in its analysis and comparisons, when defining relevant geographic markets, to take the global market as a reference and not to limit its analysis simply to the internal market; calls for an impact assessment of production capacities, which should consider, *inter alia*, plant and jobs, to be performed before any decisions are taken by the Commission's DG Competition, and for its conclusions to be incorporated in the final publicity afforded to stakeholders; calls for a revision of competition policy and state aid rules in order to facilitate public intervention, with the aim of maintaining social and regional cohesion, improving environmental standards and addressing public health concerns; calls for the impact on employment of any decision by DG Competition to be taken into account in advance and be able to lead to an objective justification or, if need be, compensation for employees affected by measures to correct abuses of dominant positions; calls for better involvement of social partners and, in particular, workers' organisations and trade unions at national and European level to avoid social dumping practices in the sector and ensure the creation of quality employment; calls for the involvement of workers in the industry's decision-making process;

The role of base metals in the circular economy

30. Highlights in this context the positive impact of secondary metals, which help to significantly reduce energy and raw material input; calls therefore on the Commission to facilitate the development and functioning of secondary metal markets; encourages 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; calls for it to be made mandatory to establish 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; adopts the aim of making rapid progress in the recycling of rare earths and critical metals consumed in the Union; calls for the development of strong links between the base metal recycling sector and other industries in order to strengthen the size and resilience of the industrial base, in particular in regions affected by deindustrialisation; emphasises in this context the

large potential of product and material substitution and increasing the use of scrap metal *inter alia* in steel and aluminium production; stresses that most base metals can be recycled many times for a fraction of the energy used for primary production; is concerned by the large energy loss for Europe caused by the legal and illegal export of aluminium and copper to countries such as China and India, states which have established aluminium export bans themselves; believes that high environmental standards and circular economy principles should be fundamental to development and innovation investments in the base metals industry sector in Europe; calls on the Commission to develop economic incentives for recycling metals, including currently uneconomical critical raw materials such as rare earths, to investigate how markets for recycled materials can be supported by *inter alia* green certificates for recycled materials, eco-design requirements and fiscal incentives, and to ensure that cohesion policy and European Fund for Strategic Investments (EFSI) budgets are also leveraged to promote resource efficiency and recycling; believes that waste legislation should be improved to sustain the functioning of the EU scrap metals market through, for instance, a revision of the End-of Life Vehicles Directive and other waste legislation; suggests that measures be taken to set collection targets, strengthen producer's responsibility and widen the scope of end-of-life legislation, for instance relating to lorries, buses and motorcycles; stresses the need for qualified and skilled people to cope with the transition towards more sustainable production processes and products, and calls for a European training and education strategy supporting companies, research institutes and the social partners in the efforts to jointly investigate skills needs for environmental sustainability;

31. Instructs its President to forward this resolution to the Council and the Commission.

EXPLANATORY STATEMENT

The haemorrhaging of skills and jobs in the European steel industry is the result of a slump in demand, which in 2014 was 40 megatons below its 2007 levels. There have been such significant adjustments in capacity that any upturn in European demand will give rise to an unprecedented trade deficit in Europe that would engender dependency and the loss of industrial know-how and is bound to have a knock-on effect on the downstream automotive, construction and low-carbon technologies sectors.

On the other hand, closures in the European aluminium industry are taking place against a backdrop of growing European demand for aluminium in recent years, which has led to increases in imports.

Steel and aluminium are two prime examples of the difficulties faced by those working in such industries, which must continue to modernise in energy and environmental terms when this means following an investment policy which few can currently afford.

Thus, while climate change policy is in no way the root cause of the problems facing these industries, it may well be so in the future if the investment crisis continues and if no European industrial policy on raw materials and base metals is implemented.

That industrial policy must comprise the tools and resources needed to make low-carbon transition a reality, and can only be done through strategic management of base metals industries and by ensuring that the right tools and resources are available to cope with the increase in carbon prices being called for by all the international institutions involved in combating climate change.

While the reuse of base metals and the development of a circular economy are absolutely vital for Europe's economies, recycling alone cannot meet the future needs of a continent undergoing energy transition: by way of illustration, for the same installed power, wind turbines and solar technologies consume up to 90 times more aluminium, 50 times more iron, copper and glass, and 15 times more concrete (without even mentioning rare and critical metals) than the conventional thermal (oil, natural gas or nuclear) power stations currently operating.

The overriding need to act on climate change

The lead position adopted by the EU in combating climate change, including the recognition of a climate debt towards non-industrialised countries, is to be welcomed

The creation of the carbon market in 2005 (Directive 2003/87/EC) marked the implementation by the EU of a unilateral pro-active climate change strategy through which it sought to lead by example by imposing additional charges on all its economies in the form of electricity producers and energy-intensive industries, regardless of what the rest of the world was doing.

It was hoped at the time that this would result in investments aimed at reducing carbon emissions and help modernise European industries, which would thereby steal a lead on their competitors. This has not proved to be the case for many reasons, and the risk of carbon

leakage has now surfaced despite the generous allocation of free allowances which are reaching their limits in terms of affording protection.

The situation has indeed changed since the Kyoto Agreement was signed in 1997, and Europe is no longer dominant in the base metals field and must now fight to maintain independence from rapidly-industrialising countries ('carbon switchover').

There is a strategic need for the base metals industries to adapt to these new climate, economic and social scenarios, by setting an example through their effectiveness and efficiency when it comes to energy and raw materials consumption, rather than slipping out of the industrial picture.

Border adjustment is the most effective structural mechanism for stopping European industries at risk of carbon leakage from abandoning the fight against climate change, since the allocation of free allowances, which can act as outright 'pollution subsidies', generates a loss whose magnitude will increase in line with the increase in the price of CO₂ on the market.

Border adjustment

Establishing border adjustment measures as part of climate change policy will create a level playing field and undistorted competition between producers inside and outside the EU, both on the domestic market and for exports, and thus avoid carbon leakage:

- by subjecting imports to the same rules on the purchase of emissions allowances on the carbon market as European producers, on the basis of the carbon content of the imported metals;
- by exempting exports of metals from CO₂ emission allowance purchases.

Importers of base metals would have to make a customs declaration of the CO₂ emitted in the production of metals sold on the European market and comply with the same rules as European producers in line with the WTO principle of non-discrimination between similar products. It follows that this is in no way a means of arbitrary discrimination or a covert restriction on international trade.

The scope of the border adjustment measures would be identical to that of the current emission allowances under the ETS.

Border adjustment – a temporary and flexible measure

Similarly, if a country introduces CO₂ emission allowances for EU producers of base metals comparable with EU emissions allowances, border adjustment becomes a flexible instrument based on the carbon performance of the products traded between the two countries. All border adjustment measures could be abolished once there is coordination of the carbon emission allowance markets created in all parts of the world. Having the same rules will make for fair competition.

Prevent carbon leakage by taking the whole sector into account

An aluminium producer manufacturing its own alumina (the intermediate product between bauxite ore and aluminium) in the EU is subject to the constraints of the ETS, whereas this is

not the case for an aluminium producer which imports its alumina from outside the EU. The same applies to all intermediate products between ores and metals, and to the coke used in steel-making, the relocation of whose sources of import represents carbon leakage.

When assessing the carbon content of each base metal, one must therefore take into account the sector as a whole rather than the strictly European location of its point of final production

A carbon content for each product subject to emissions trading

In order for border adjustment is to work fairly, one needs to know the carbon content of each product.

This is already the case in Europe, and could be the case everywhere on two conditions:

- products traded must be traceable (as is already the case in the base metals industries so that they can be approved and certified in line with recognised professional standards);
- a harmonised method for determining the carbon content of products traded must be established at an international level.

It would be necessary to set up an international/multilateral agency for this, or to have an existing organisation perform that task.

Compensation for indirect emissions: unfair competition between European countries

Aluminium multinationals have developed a powerful aluminium industry in the Gulf States based on low energy prices. On top of the advantages conferred by cheap energy, these oil- and gas-rich countries are free from any costs relating to CO₂ emissions or participation in combating climate change.

The Commission has recognised the unfair competition arising from the increase in the price of electricity owing to CO₂ emission allowances being purchased by electricity producers and has authorised compensation to be paid by national authorities for indirect costs (SWD Communication (2012)).

By way of example, Spain is spending EUR 5m over 3 years (2013-2015) on compensation, while Germany is spending EUR 756 million over the same period.

Free allowances for investing in the production of low carbon metals

Border adjustment initiates the virtuous cycle of a base metals economy that links the reduction of CO₂ emissions with low-carbon investment, which therefore becomes profitable with a view to further reducing emissions and combating climate change.

Financial and accounting transparency

The allocation of free CO₂ allowances to companies are currently made public production on a production site basis but, once allocated, no information is provided on how they are being used by the companies concerned.

In the same way there is no traceability requirement in any of the EU countries for revenue

arising from the auctioning of emission allowances, at least part of which should be invested in combating climate change.

Transparency on the risks and dangers associated with the base metals industry

First requirement: the European base metals industry must be a paragon of virtue when it comes to the environment, by minimising the impact of its operations both on workers and on local residents. The EU and national authorities must ensure this can happen as the market alone cannot guarantee the maintenance of a competitive industrial economy that is also environment-friendly.

This transparency must apply to the information provided on emissions, compliance activities, forward-looking investment and its impact on the health and safety of workers and of local residents.

The issue of electricity supply contracts

The base metals industry is an energy-intensive industry in a number of ways:

- its use of coal as the raw fossil fuel which is the prerequisite for the production of carbon steel;
- a production cost structure characterised by the overriding predominance of electricity costs in the cost price (with this varying by country and being unpredictable) in the case of zinc and aluminium electrolysis.

The fact it is impossible to conclude long-term supply contracts at a price freely negotiated between the electricity supplier and the electricity consumer in such cases risks placing European electro-intensive industries in a very vulnerable position vis-à-vis its international competitors.

One should also raise the issue of the public and subsidised nature of certain base-metal exporting international competitors which are operating in an economic system characterised by the absence of free and undistorted competition in the field of energy supply.

European trade protection measures in respect of base metals: prevention rather than a belated cure

At a time when emerging countries are developing their base-metal industries as part of their economic take-off, these have become major competitors on the global market for steel and for all base metals, such as rare earths, and have the comparative advantage of access to raw materials while sometimes also benefiting from state assistance and seeking outlets for dumping (sale below cost price).

The EU therefore needs to equip itself with flexible and responsive trade protection measures to address these new global industrial scenarios where decisions must be made increasingly swiftly in response to a potential snowballing of inflows of materials, products, information and services.

RESULT OF FINAL VOTE IN COMMITTEE RESPONSIBLE

Date adopted	13.10.2015
Result of final vote	+: 47 -: 11 0: 3
Members present for the final vote	Zigmantas Balčytis, Nicolas Bay, David Borrelli, Jerzy Buzek, Philippe De Backer, Pilar del Castillo Vera, Christian Ehler, Peter Eriksson, Fredrick Federley, Ashley Fox, Theresa Griffin, Marek Józef Gróbarczyk, András Gyürk, Roger Helmer, Hans-Olaf Henkel, Eva Kaili, Kaja Kallas, Barbara Kappel, Krišjānis Kariņš, Seán Kelly, Jeppe Kofod, Miapetra Kumpula-Natri, Janusz Lewandowski, Ernest Maragall, Edouard Martin, Dan Nica, Angelika Niebler, Miroslav Poche, Miloslav Ransdorf, Michel Reimon, Herbert Reul, Paul Rübig, Algirdas Saudargas, Jean-Luc Schaffhauser, Neoklis Sylikiotis, Antonio Tajani, Dario Tamburrano, Patrizia Toia, Evžen Tošenovský, Claude Turmes, Vladimir Urutchev, Kathleen Van Brempt, Henna Virkkunen, Martina Werner, Flavio Zanonato, Carlos Zorrinho
Substitutes present for the final vote	Michał Boni, David Coburn, Cornelia Ernst, Jens Geier, Gunnar Hökmark, Benedek Jávor, Jude Kirton-Darling, Olle Ludvigsson, Notis Marias, Marian-Jean Marinescu, Dominique Riquet, Massimiliano Salini, Theodor Dumitru Stolojan, Pavel Telička, Cora van Nieuwenhuizen

FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE

47	+
ALDE	Dominique Riquet
ECR	Notis Marias
EFDD	David Borrelli, Dario Tamburrano
ENF	Barbara Kappel
GUE	Cornelia Ernst, Miloslav Ransdorf, Neoklis Sylikiotis
PPE	Michał Boni, Jerzy Buzek, Christian Ehler, András Gyürk, Gunnar Hökmark, Krišjānis Kariņš, Seán Kelly, Janusz Lewandowski, Marian-Jean Marinescu, Angelika Niebler, Herbert Reul, Massimiliano Salini, Algirdas Saudargas, Theodor Dumitru Stolojan, Antonio Tajani, Vladimir Urutchev, Henna Virkkunen, Pilar del Castillo Vera
S&D	Zigmantas Balčytis, Jens Geier, Theresa Griffin, Eva Kaili, Jude Kirton-Darling, Jeppe Kofod, Miapetra Kumpula-Natri, Olle Ludvigsson, Edouard Martin, Dan Nica, Miroslav Poche, Patrizia Toia, Kathleen Van Brempt, Martina Werner, Flavio Zanonato, Carlos Zorrinho
VERTS/ALE	Peter Eriksson, Benedek Jávor, Ernest Maragall, Michel Reimon, Claude Turmes

11	-
ALDE	Philippe De Backer, Fredrick Federley, Kaja Kallas, Pavel Telička, Cora van Nieuwenhuizen
ECR	Ashley Fox, Marek Józef Gróbarczyk, Hans-Olaf Henkel, Evžen Tošenovský
EFDD	David Coburn, Roger Helmer

3	0
ENF	Nicolas Bay, Jean-Luc Schaffhauser
PPE	Paul Rübig

Key to symbols:

+ : in favour

- : against

0 : abstention