COMMENTS BY THE ALUMINIUM ASSOCIATION OF CANADA

Submitted to:
United States International Trade Commission

INVESTIGATION NO. 332-591
Economic Impact of Section 232 and 301 Tariffs on U.S. Industries

By:
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President and CEO
Aluminium Association of Canada

August 24, 2022

Aluminium Association of Canada

CONTEXT

The AAC is a non-profit organization whose mission is to represent the Canadian primary aluminium industry to the public, users, public authorities, as well as to key economic and environmental players. The AAC brings together the three Canadian primary aluminium producers: Alcoa, Aluminerie Alouette and Rio Tinto Aluminium. The Canadian aluminium industry is the fifth largest in the world with an annual production of approximately 3 million tonnes of primary aluminium.

We would like to remind the readers that the purpose of Section 232 tariffs is to mitigate threats to the U.S. National Security: Under Section 232 of the Trade Expansion Act, the President has broad power to adjust imports — including through the use of tariffs — if excessive foreign imports are found to be a threat to U.S. national security.[1]

We strongly believe that the Canadian exemption supports U.S. national security as Canadian aluminium is the U.S.'s most reliable source of sustainably produced aluminium and key to the defence sector, while protecting hundreds of thousands direct and indirect jobs in the U.S. downstream aluminium industry.

As such, Canada and the United States must continue and deepen our mutually beneficial relationship.

[1] https://www.commerce.gov/issues/trade-enforcement/section-232-steel

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SUMMARY

- **Recommendation**: Should the United States revisit imposition of the 232 tariffs, Canadian aluminium must remain exempt of any 232 tariffs, because of its strategic role within North America's integrated industrial value chain.

- Canada has always been a trustworthy supplier of responsibly produced low CO_2 aluminium, with stable supply of product to the U.S. while exposed to the ups and downs of the market. Canada's production capacity has remained the same over the past 15 years.

- China's subsidization of high-carbon aluminium has impacted the nature of the global aluminium market, leading to a downward pressure on global prices, discouraging new private investment and threatening the long-term viability of current production.

- As China increases its overwhelming share of aluminium production, by adding new capacity in primary and secondary, upstream and downstream, enabled by state subsidies of all forms, it progressively destroys existing privately owned competition in the rest of the world, while inhibiting market-driven expansion outside the country. This erosion is already weakening established domestic capacity around the world – most notable in NATO countries, the U.S., Canada and Europe – threatening our shared capacity to step up in times of special needs to supply our national security requirements.

- Responsible production should be brought into consideration in addition to the notion of carbon footprint, as we work towards reshoring industrial capacity around shared values coming out of a succession of supply chain shocks.

- We believe that the preservation and growth of the aluminium value chain should be grounded on responsible production and low carbon parameters, within existing trade agreements (ie USMCA).

- Using our recently renegotiated USMCA trade agreement to reference acceptable standards of responsible production and carbon pricing could provide an initial platform for treating incoming imports of aluminium in accordance with our trading ecosystem's values and expectations.

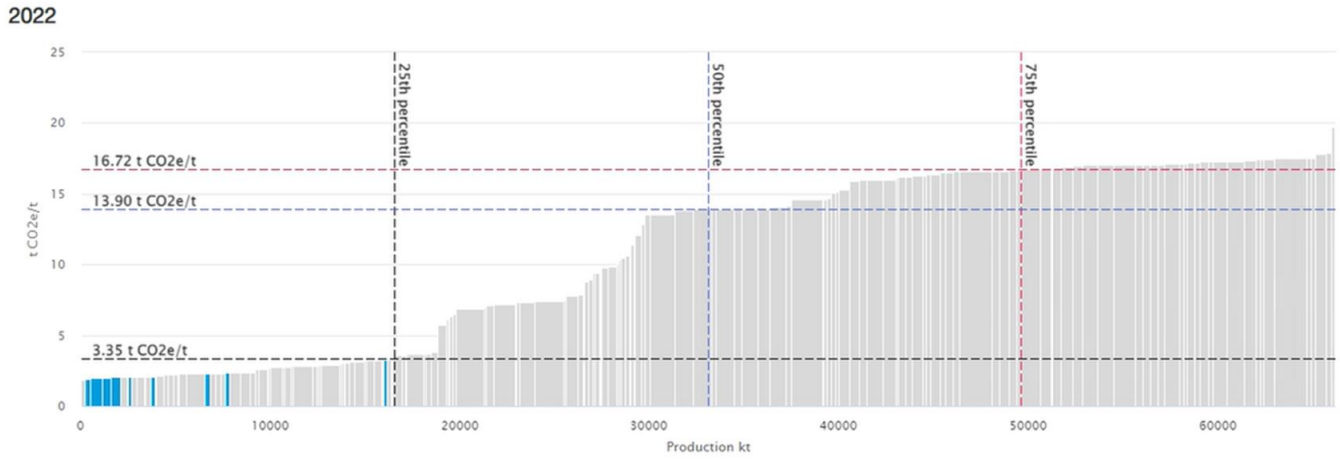
INTRODUCTION

Canada's aluminium industry appreciates the opportunity to reflect upon the impact of the Section 232 and 301 tariffs. As an integral part of our shared industrial value chain and critical materials supply chain, Canada's industry is exposed and affected by the same market disruptions, mostly stemming from the same subsidized nonmarket economy (NME) sources, namely China.

Canada has been supplying the U.S. market with the world's lowest carbon responsibly produced aluminium at market prices. Our carbon footprint contributes to keeping America's overall manufacturing footprint at a competitive level, while ensuring a steady and reliable supply.

Canada has never been, is not and will never be a threat to the United States national security.

Figure 1 – Canada's smelters carbon footprint positioning compared to world production sites – Scope 1, 2 and 3 (for anode sourcing)



Source: CRU, 2022

In addition, our production respects all best practices in terms of responsible production, be it human rights, labour rights, environmental protection, community involvement, well-being, health and safety of employees. Canada also comes on top of the list of the Democracy Index amongst the U.S. supply sources of aluminium, as recently published by the Economist Intelligence Unit.[2]

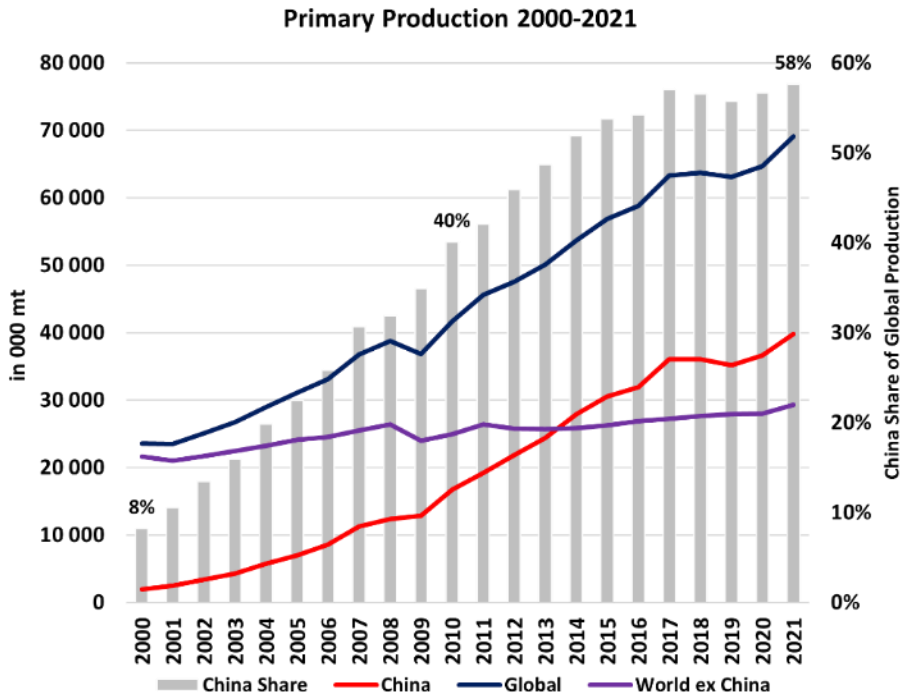
Distortions in international markets for aluminium have been examined in depth by the Organization for Economic Co-operation and Development (OECD). In 2019, an analysis highlighted the importance of non-market forces in contributing to increased and more concentrated production capacity in the aluminium sector[3].

The rise of China is a prime example of this situation. Becoming the world's largest ever producer of aluminium over the past two decades with over 58% of the world's capacity, China has had a disruptive and lasting effect to this day on our capacity to maintain the integrity of our own aluminium ecosystem in North America.

[2] https://www.eiu.com/n/campaigns/democracy-index-2021/
[3] Measuring distortions in international markets: the aluminum value chain, by the OECD in 2019

Between 1995 and 2020, China surged from being a relatively minor global player to become the world's largest producer, by a wide margin, of alumina, primary aluminium, and semi-fabricated aluminium products. Today, China accounts for 58% of global output. This output growth continued during periods of global price declines, and even as plants closed elsewhere, expansion continued unabated in China.

Figure 2 – Primary production 2000-2021



The OECD analysis highlighted that extensive Chinese government support explained much of this growth. Between 2013-17, seventeen of the largest global firms operating along the aluminium value chain received up to USD 70 billion of government support with one Chinese company alone getting 35 billion U.S.$. Overall, 85% of this support went to just five Chinese-owned firms. In addition, firms operating in China at different stages of the value chain benefitted from a complex array of border restrictions, VAT rebates, and other forms of preferential treatment.[4]

[4] Measuring distortions in international markets: the aluminum value chain, by the OECD in 2019

THE TARIFFS IN QUESTION…

While the application of tariffs on U.S. imports might have contributed to keeping some capacity afloat in the U.S., the issue has always been and remains guarding against China and other non-market rule imports to protect a strategic industry such as aluminium. This has been achieved partly through tariffs and through product focused safeguard measures in America and around the world. Canada's commitment through its robust aluminium import monitoring regime, anti-dumping policy changes, as well as enforcement of anti-dumping measures in respect with WTO rules is well aligned with U.S. leadership on the issue and contributes to maintaining a level playing field. Maintaining this worldwide "containment" against non-market rule imports will be even more important in the future given the increased demand for aluminium to decarbonize the North American economy.

Figure 3 – Anti-dumping cases against China

Importer	Number of anti-dumping cases
Ongoing investigation	**5**
Australia	1
Eurasian Economic Commission	1
Brazil	1
Taiwan, China	1
India	1
Anti dumping measures in force	**30**
United States	4
European Union	9
Argentina	2
Australia	2
India	6
Vietnam	1
Canada	1
Columbia	1
South Korea	2
Mexico	1
Ghana	1

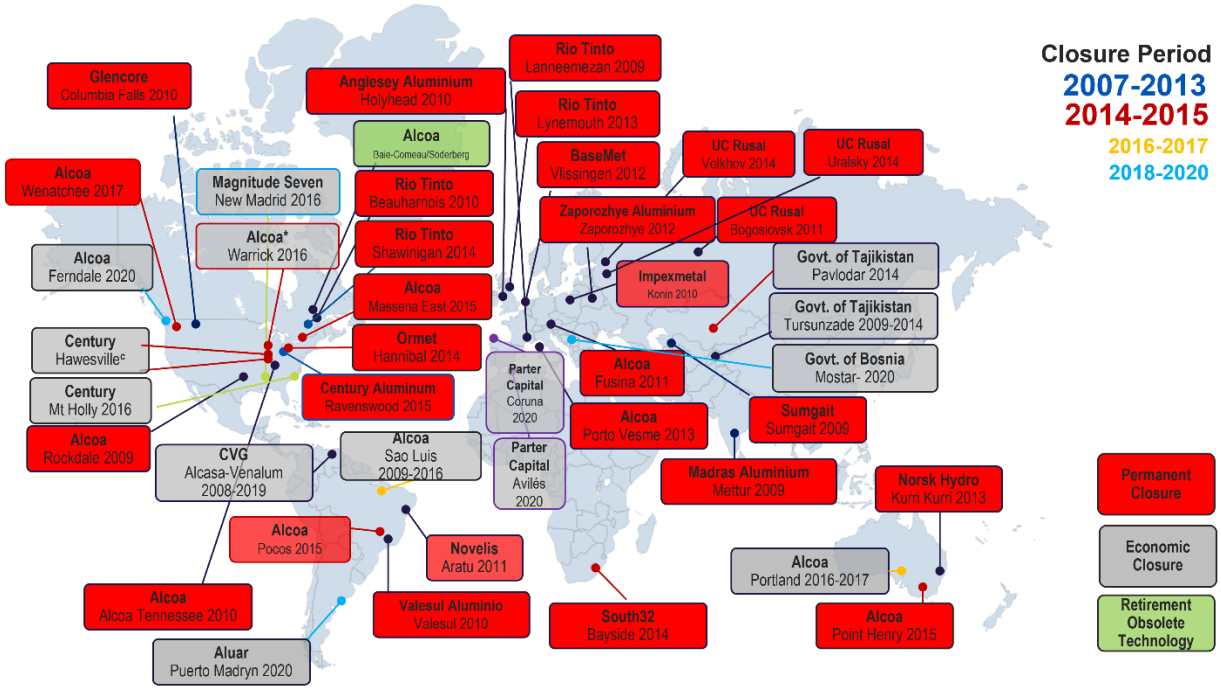
Source: AAC, 2022

We have been supportive of the United States' numerous attempts and initiatives at circumscribing the problem of China's overcapacity and non-market behaviour, joining forces with our American and European peer industry associations in front of the United States International Trade Commission (USITC), and as well vis-à-vis the G20 and G7. Joint initiatives were undertaken by the aluminium industry associations from the U.S., Canada, Europe and Japan, through G20 and G7 leadership, over the years in order to press further the issues of China subsidized capacity and non-market behaviour (see Appendix A).

WORLD EX-CHINA DECLINE IN PRIMARY CAPACITY

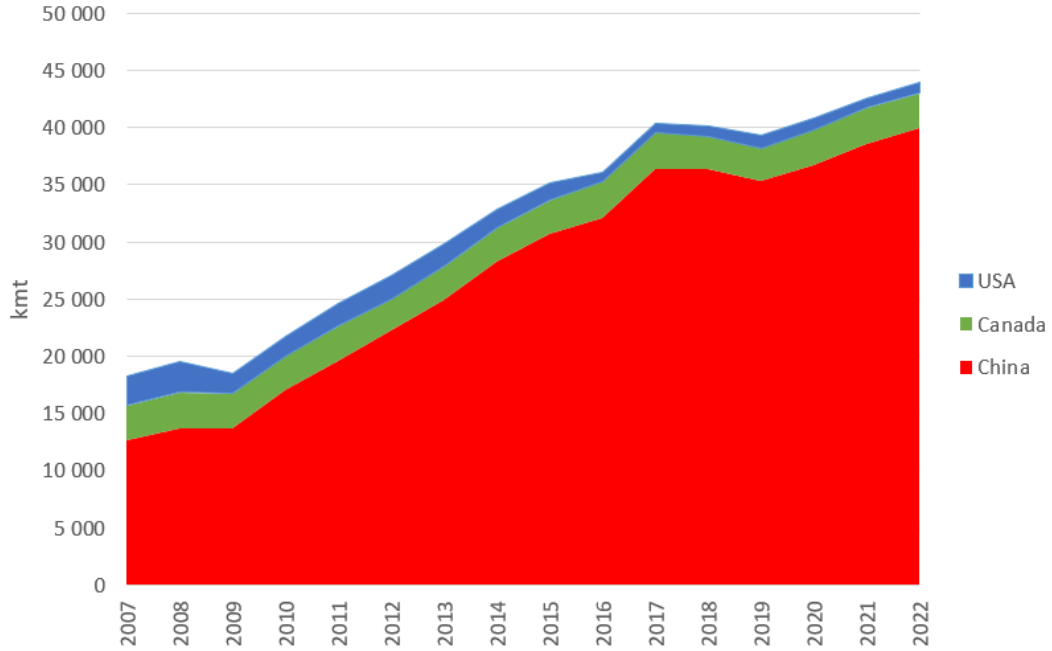
In the period from 2005 to 2020, a steady decline in primary capacity occurred in the world ex-China, mostly caused by a decade of low commodity price driven by China's subsidized expansion.

Figure 4 – Aluminium USA: Executive Insight Series – World ex-China smelting capacity in sharp decline since 2007



Source: AAC, August 2021

Figure 5 – Canada, the U.S. and China primary aluminium production



Source: AAC, 2022

As China grows its overwhelming share of the market by adding new capacity in primary and secondary, upstream and downstream, enabled by state subsidies of all forms, it progressively destroys existing privately owned competition in the rest of the world, while inhibiting market-driven expansion outside the country.

This erosion is already weakening established domestic capacity around the world — most notable in NATO countries, the U.S., Canada and Europe — threatening our shared capacity to step up in times of special needs to supply our national security requirements.

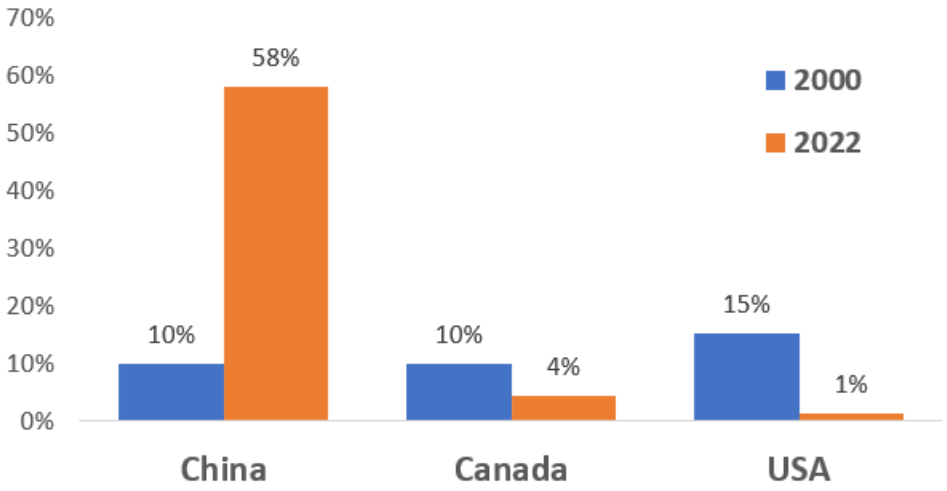
What is clearly at issue here from our industry's standpoint is the ongoing erosion of free and fair-trade aluminium supplying regions of the world caused by China's built-up overcapacity and unruly market behaviour.

This erosion is already weakening established domestic capacity around the world – most notably in NATO countries, the U.S., Canada and Europe.

DEMANDING TIMES FOR THE NORTH AMERICAN INDUSTRY

Canada has taken a step back from producing 10% of overall world production in 2000 to 4% in 2022. During the same period, U.S. production went from 15% of total world production to 1%. Meanwhile, China ramped up from 10% to 58% in 2022.

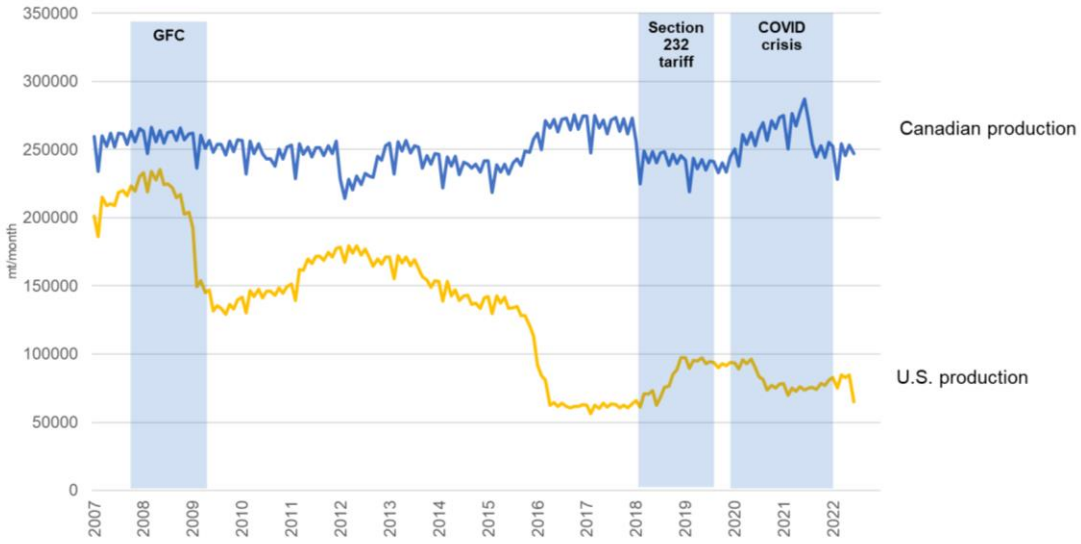
Figure 6 – Share of Canada, U.S. and China in world aluminium production



Source: AAC, 2022

The rise of China as a market maker can therefore be directly linked to the fall of North America's market share. While Canada's capacity withstood the pressure, the same cannot be said for the United States.

Figure 7 – Canadian and U.S. primary aluminium production



Source: AAC, 2022

More recently while our relationship has been put to test, **Canada has remained a trustworthy supplier of responsibly produced low CO_2 aluminium**, with stable production capacity while exposed to the ups and downs of the market. As shown in Figure 7, Canada's production capacity has remained the same over the past 15 years.

A SHARED HISTORY

Canada's aluminium ecosystem is a historical legacy of hydro-based economic development, benefiting from vast amounts of stranded renewable hydro, both in B.C. and in Quebec.

The respective economic development and military defence architecture of both Canada and the U.S. take origin from our shared continental region.

With its rugged northern terrain and geological formations, Canada has developed a resource-based economy, endowed with vast quantities of captive renewable hydroelectricity originally through U.S. and British investments. This stranded energy developed into world-class aluminium smelting operations, an optimal way to export this energy.

Sparsely populated relative to its size, Canada is an important resource supplier to the rest of the world and mostly to its southern neighbour. The more clement geography and climate of the U.S. have fostered the development of a largely densified country with a highly skilled manufacturing sector transforming metals into parts and final products destined to its domestic and export markets.

Aluminium is the best example of this synergy. While unable to really develop and sustain a downstream transformation sector for lack of critical mass, Canada's primary aluminium industry anchored on renewable clean hydro has grown through its exports, mostly to the U.S., both in times of peace and war. It has, in fact, become totally integrated into U.S. industry, forming part of a seamless continental industrial value chain.

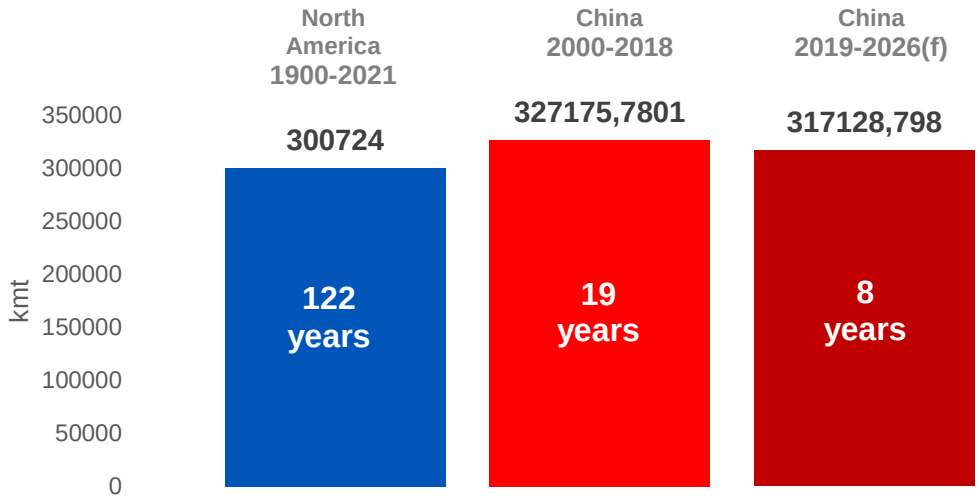
Canadian aluminium exports are the equivalent to the energy consumed annually by 7 million Americans or the equivalent of 6 Hoover Dams.

To put things in perspective, should the U.S. want to replace its Canadian imports of primary aluminium with equivalent low CO_2 hydro-based domestic production, it would require building and dedicating 6 Hoover Dams, equivalent to the energy consumed annually by 7 million Americans.

Canada's aluminium industry contributes to a healthy transnational aluminium sector, a necessary borderless ecosystem nurturing its more strategic components for military and aerospace usage. In times where the criticality of materials is a priority, our world-class research centres and smelting operations backed by a complete network of suppliers and industrial engineering firms remain self-sustaining and on the call to this day.

As we developed over time, however, so did the world aluminium industry, seeing the rise of new production areas like the Middle East and China. Indeed, China has become the world's largest-ever producer of aluminium over the last 15 years. In fact, as illustrated in the next figure, it took China only 19 years to produce more aluminium than the U.S. and Canada manufactured in over 122 years as the world's third-largest regional production area after China and the Middle East. China is now set to reach the same threshold in less than half of the time by 2026…

Figure 8 – U.S. and China primary aluminium production

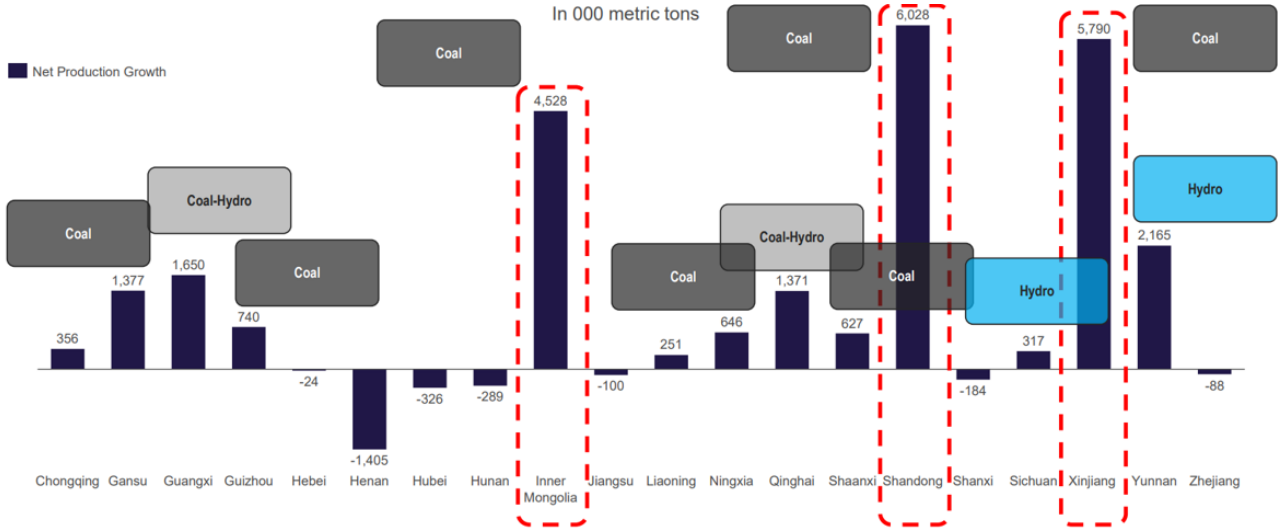


Source: AAC, 2022

THE CARBON MORTGAGE

China's growth in production has come at a large price: its ever-increasing carbon intensity or "carbon mortgage". From 2008 to 2020, the growth has been largely dominated by fossil fuel-based production as shown in Figure 5.

Figure 9 – Aluminium USA: Executive Insight Series – Chinese primary ALU growth: province/region & energy source: 2008-2020

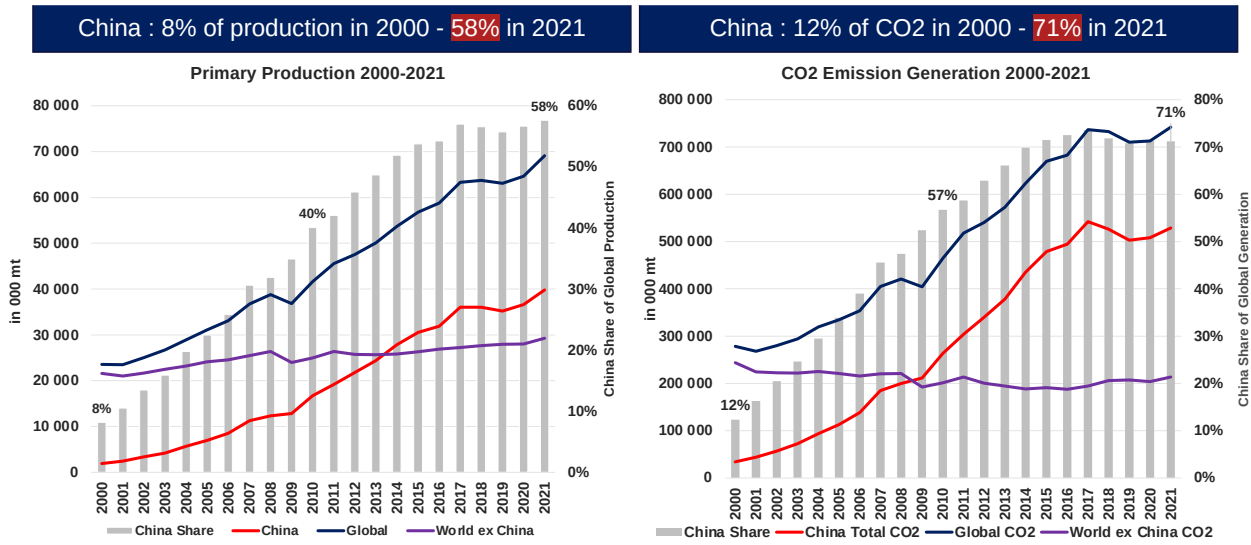


Source: CRU, 2022

The environmental costs of current state support are also considerable. Subsidies along the aluminium value chain primarily encourage extraction, production, processing, and export from high greenhouse gas (GHG) emitting production systems based largely on fossil fuels. This has significant environmental implications; CO_2 emitted per metric ton of aluminium produced is ten times higher for coal-based systems than for hydro-based systems. By displacing output from low GHG emitting systems, these subsidies contribute to a much higher than otherwise carbon footprint across the sector globally.

By extension, the Chinese government has been the facilitator of the carbon intensity which they are now attempting to deal with. As shown in the figure 6, over the last twenty years, China has grown from 8% of world capacity to 58%. With its mostly coal-based production, China has simultaneously moved from 12% of global industry emissions to now being responsible for 71% of the industry's global emissions.

Figure 10 – Aluminium USA: Executive Insight Series – China share of emissions versus share of output rose disproportionately



Source: CRU, CRU Emissions Analysis Tool

China's aluminium, and its legacy carbon performance, will impact the nature of future trade with the rest of the global community.

Such high levels of support displace production from unsubsidized firms unable to compete with the deep pockets of the state sponsored capacity, reduce their profitability in the short-term, discourage new private investment, and threaten their long-term viability.

As suggested by the recently released Roosevelt Institute report "**Seven Ways the Executive Branch Can Turbocharge Green Industrial Policy"** section 232 could be used to address imports with embedded emissions above the U.S. maximum in its domestic production facilities.[5]

Jobs are at risk. Across G7 countries in the U.S., Europe, Canada, and Japan the industry directly employs almost 500,000 workers and indirectly supports an additional 1,300,000 jobs and over USD 200 billion economic output. These are well-paid jobs for skilled workers often in high unemployment and rural areas.

In Europe, 600 plants operate across 30 countries, supporting 1,000,000 direct and indirect jobs, while in Japan 84 plants and more than 2,400 companies operate along the aluminium value chain with 99,000 jobs. In the U.S., 660,000 jobs and wages totalling USD 44.7 billion depend on a regionally integrated aluminum value chain; in Canada, nine smelters operate with 8,800 workers and supply 55% of U.S. imports of unwrought aluminium.

[5] Roosevelt Institute, Seven Ways the Executive Branch Can Turbocharge Green Industrial Policy, August 2022

GOING FORWARD

We have a strong foundation to build and develop from the USMCA, a modern, stable trading mechanism. A lot remains to be done in terms of policy making to materialize its full value.

We believe that the preservation and growth of the aluminium value chain should be grounded on responsible production and low CO_2 parameters, fenced within USMCA.

Our two countries, as well as other shared values trading partners, Japan, the EU, and the UK are committed to notions of labour and human rights in addition to decarbonization in trade agreements and bilateral agreements.

Using our recently negotiated CUSMA trade agreement to reference acceptable standards of responsible production and carbon pricing could provide an initial platform for treating incoming imports of aluminium in accordance to our trading ecosystem's values and expectations.

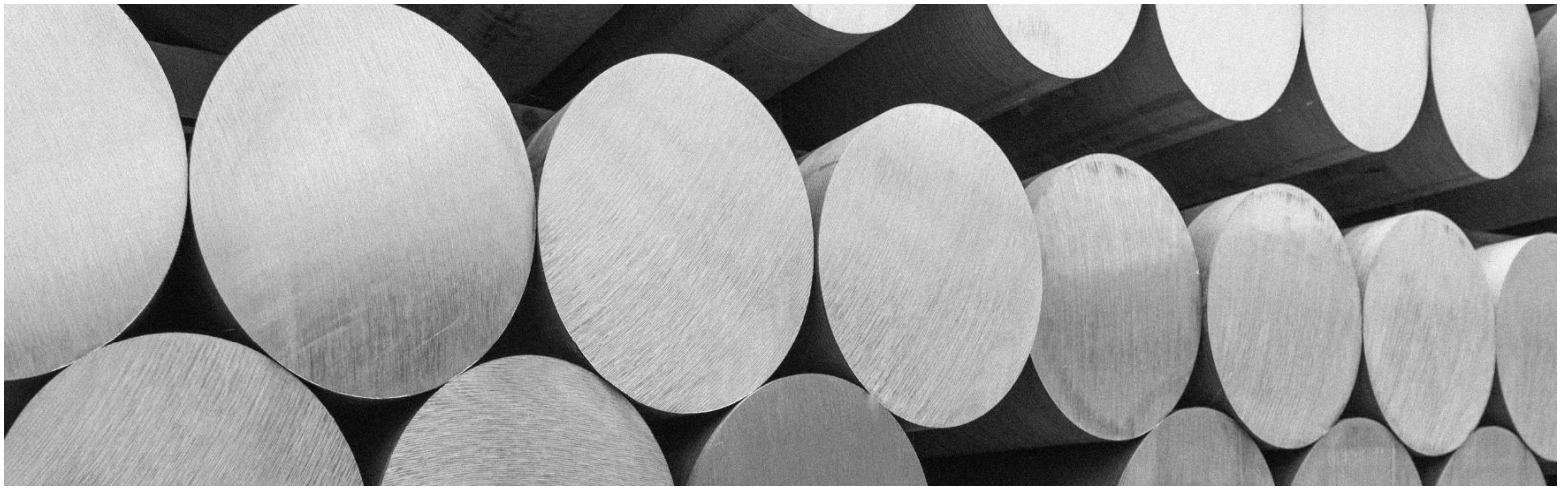
WITH A NEW WORLD ORDER COMES NEW THREATS

The world we knew up until very recently has been transformed forever and made more complex, and more sensitive to various threats on national security. This is unfortunately another common ground for both our countries. Threats to the physical integrity of our infrastructure, the result of climate change or human intervention, supply-chain disruptions caused by conflicts and global pandemic, cybersecurity attacks from foreign sources, ensuring transparency of data for incoming products and metals; all are now part of our daily predicament as world-class industries operating in western democracies.

A new focus must be brought to bear on ensuring the unhindered and steady flow of materials and products, while developing strategic autonomy of supply for our critical materials including aluminum. The multiple recent crisis demonstrated the importance of resilient supply chains such as North America's aluminium industry.

Day in and day out from upstream primary smelters in Canada all the way downstream in the U.S. Mid-West we kept production and processing going 24/7, adapting and filling the market's needs and keeping America's workers and aluminium communities alive.

This agile and seamless integrated world class industrial value chain is peerless and must be preserved and grown into the future to the benefit of all.



APPENDIX A

Joint initiatives U.S., Canada, Europe and Japan,
through G20 and G7 leadership regarding
China subsidized capacity and non-market behaviour

15 March 2017

The Honourable Justin Trudeau
Prime Minister of Canada

Your Excellency:

At the upcoming G-20 Hamburg Summit in Germany, leaders will discuss challenges to global economic growth, stability and security, and digitization.

We are writing to urge G-20 leaders to provide a collective response to the aluminum sector by creating a Global Forum on aluminum excess capacity.

As organizations representing aluminum producers along the whole value chain in the United States, Europe, and Canada, we are writing to draw your attention to the global market imbalances in the aluminum industry, caused in particular by the enormous excess capacity in China. This situation not only significantly distorts international trade flows affecting all of our countries but also undermines global stability.

In 2000, China supplied 10% of the world's primary aluminum. Today, Chinese manufacturers have increased their output by five, supplying 53% of all aluminum produced globally and spurring increasing overcapacity in the downstream aluminum sector. Additionally, by 2020 Chinese aluminum capacity is expected to grow by a further 24%.

China's state-sponsored support is contributing to an unsustainable structural overcapacity that will impact growth and contribute to heightened instability until it is addressed. Both the massive increase in production and the excess capacity have had a downward effect on the prices, generating significant economic and employment losses for our respective producers and economies. This excess capacity threatens the competitiveness of both upstream and downstream aluminum producers.

Last year's G-20 summit recognized that "excess capacity in steel and other industries is a global issue which requires collective responses". Leaders also recognized that "subsidies and other types of support from government or government-sponsored institutions can cause market distortions and contribute to global excess capacity and therefore require attention". The United States has already taken action to address the effect of subsidies on its aluminum industry. In January 2017, the US filed a request for consultation at the WTO concerning subsidized financing and feedstocks provided to primary aluminum producers in China.

The upcoming G-20 summit represents a critical opportunity to work collectively to re-establish fair trade conditions in the global aluminum industry. Last year the G-20 resulted in the creation of a Global Forum on steel excess capacity in order to increase information sharing and cooperation. Now is the time to recognize the excess capacity which negatively impacts the competitiveness of the global aluminum industry. We therefore urge G-20 leaders to provide a collective response to the aluminum sector by creating a Global Forum on aluminum excess capacity.

Signed,

Heidi Brock
President and CEO
The Aluminum Association

Gerd Götz
Director-General
European Aluminium

Jean Simard
President and CEO
Aluminium Association of Canada

Cc: U.S. and E.U. G-20 Sherpas
G-20 Foreign Ministers and G-20 Sherpas
Ms. Chrystia Freeland, Minister of Foreign Affairs Canada
Mr. François-Philippe Champagne, Minister of International Trade
Mr. Vincent Rigby, Assistant Deputy Minister, Strategic Policy, Global Affairs Canada and G-20 Sherpa

10 April 2018 **REVISED VERSION**

To: US, EU, Canadian, Japanese, Brazilian and Mexican G20 Sherpas

Cc: G20 Foreign Ministers and G20 Sherpas

Your Excellencies:

In light of the conclusions reached last July at the G20 Summit in Hamburg, Germany, and the publication of the Global Forum on Steel Excess Capacity Report, we are writing to urge G20 leaders to apply this framework to a similar global forum on aluminium excess capacity. We believe the Global Forum on Steel Excess Capacity is a useful model for tackling these persistent issues with a coordinated effort also for aluminium.

As organisations representing aluminium producers from the entire value chain in their respective regions, we are concerned about the unsustainable and steady increase of overcapacity particularly in China in both primary and semi-fabricated aluminium sectors. This trend is exacerbating the difficulties in creating a global level playing field for aluminium trade.

While efforts to curtail subsidised or illegal production in China are welcomed, recent data shows that such measures are insufficient to tackle the abundant overcapacities and the real increase of production in China amounting to 13,3% compared to 2% in the rest of the world in 2017. While its primary capacity continues to grow, China is also emphasizing its focus on producing downstream aluminium products for the global market.

In this context, we are calling on G20 leaders to take action during the next Summit in Buenos Aires, Argentina, by launching a Global Aluminium Forum in order to endorse market economy principles and transparent methods to create an adequate level playing field in the global aluminium market.

While unilateral trade measures can help target narrow problems of unfair trade, collective action is needed to induce systemic change. The G20 represents the appropriate forum to facilitate dialogue and trust among parties, aiming to remove non-market policies affecting our industry.

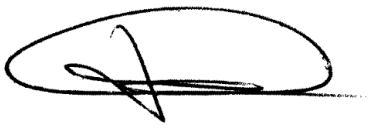
Transparency should also become the backbone of such a forum. A solid information-sharing mechanism will certainly play a role in identifying harmful policies that incentivise the increase of primary and semi-fabricated aluminium overcapacity.

As regional leaders, we strongly believe the G20 can play a role in shaping a level playing field in our sector. A Global Forum on Aluminium Excess Capacity could represent the first brick of a new architecture for the governance of a sustainable market-based, fair and innovative industry. We stand ready to support G20 leaders with our knowledge, data and commitment to define an operational and workable mechanism in which all the producers will find trust, transparency and solutions.

Signed,

Heidi Brock
President and CEO
The Aluminum Association

Gerd Götz
Director General
European Aluminium



Jean Simard
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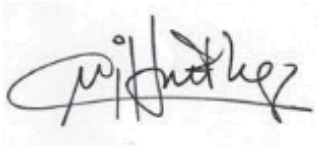
Japan Aluminium Association



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Press release

For immediate release

Montreal Aluminium Summit
Calling for a Global Aluminium Forum and an International Monitoring System

Montreal, June 4, 2018 – The national aluminium associations' leaders from Canada, the United States, Europe and Japan held today an exceptional meeting of the aluminium industry from the G7 member countries on June 3rd and 4th in Montreal, and called for a Global Multilateral and Governmental Forum on Aluminium Overcapacity. The event took place with the active participation of the Canadian and Quebec governments, representatives of G7 governments and of the industry leading companies from Canada, USA, Europe and Japan.

Global demand for aluminium is growing and will require market-based growth in primary smelter production, recycling and semi-fabricated aluminium products. Subsidized overcapacity and other market-distorting behaviour, though, is undermining the sustainable growth of the global aluminium industry for both primary and downstream aluminium producers. It is time for G20 leaders to provide a collective and multilateral response. To initiate such process, the attendees of the Montreal Aluminium Summit defined a *Roadmap to a sustainable global aluminium market* that will be shared with the G7, and ultimately the G20 countries.

The *Roadmap* identifies China as a dominant player in aluminium production. As China grows its overwhelming share of the market by adding new capacity upstream and downstream, enabled by state subsidies, discriminatory duties on raw metal and support programmes of all forms, it progressively undermines existing privately-owned competition, while inhibiting market-driven expansion outside the country. Free and fair trade of aluminium is at stake.

To ensure a sustainable solution to the issues around market fundamentals, it is vital that the chosen pathway be inclusive of the whole value chain. Criteria have been identified for any solution to be sustainable over the long term. It must be market driven, multilateral, based on multistakeholder engagement, be transparent and reliable, be comprehensive, enable monitoring and be accountable. **The clear solution emerging from the Summit is a Global Multilateral and Governmental Forum on Aluminium Overcapacity based on a robust international monitoring system.**

The national aluminium associations' leaders therefore urge the G7 leaders to formally request the G20 to create this Forum and immediately establish an international monitoring system.

The Aluminium Association of Canada, The Aluminum Association, European Aluminium and the Japan Aluminium Association stand ready to support G7, G20, the OECD and other international institutions with knowledge, data and commitment to permanently resolve the global aluminium overcapacity.

QUOTES

"*For more than a decade, the Canadian aluminium industry has faced an unbalanced market. It is only through international dialogue and cooperation, through the G20 and OECD, that the equilibrium in the aluminium industry will be restored. The conclusions reached today at the Montreal Aluminium Summit is the first step in that direction*". Jean Simard, President and CEO of the Aluminium Association of Canada

"*The creation of a global forum will help us to address illegally subsidized Chinese overcapacity which is challenging aluminum companies across the value chain and around the world. The roadmap we developed today is an important catalyst for those discussions. The aluminum industry is speaking loudly and with a single voice – now is the time to address the Chinese overcapacity challenge once and for all.*" Heidi Brock, President and CEO of The Aluminum Association.

"*We have said this many times: aluminium overcapacity in China has significant impacts on our industry and only global solutions can effectively tackle this major challenge. The Montreal Aluminium Summit has opened the debate about what we can do and how an aluminium global forum could lead to a stronger global level playing field based on transparent data and robust governance. G20 leaders should put our ideas on the table and make it happen."* Gerd Götz, Director General of European Aluminium.

"*It is a memorable success that this conference adopted a roadmap for a global forum. We expect the forum will provide more transparency in the global aluminium industry. It is our great pleasure that our association could align with other countries associations to tackle this shared challenge.*" Yoshihisa Tabata, Executive Director of Japan Aluminium Association.

About the Aluminum Association of Canada (www.aluminum.ca/en)
The Aluminum Association of Canada (AAC) is a non-profit organization representing three Canadian world-class aluminum producers: Alcoa, Alouette, and Rio Tinto operating ten smelters in Canada, nine of which are in Quebec, and employing over 8,000 workers and generating over 5.5 billion US$ in annual deliveries. For more information, visit http://www.aluminium.ca or Twitter @AAC_aluminium.

About The Aluminum Association
The Aluminum Association represents aluminum production and jobs in the United States, ranging from primary production to value added products to recycling, as well as suppliers to the industry. The Association is the industry's leading voice, providing global standards, business intelligence, sustainability research and industry expertise to member companies, policymakers and the general public. The aluminum industry helps manufacturers produce sustainable and innovative products, including more fuel-efficient vehicles, recyclable packaging, greener buildings and modern electronics. In the U.S., the aluminum industry creates $174 billion in economic activity. For more information visit http://www.aluminum.org, on Twitter @AluminumNews or at Facebook.com/AluminumAssociation.

About European Aluminium
European Aluminium, founded in 1981 and based in Brussels, is the voice of the aluminium industry in Europe. We actively engage with decision makers and the wider stakeholder community to promote the outstanding properties of aluminium, secure growth and optimise the contribution our metal can make to meeting Europe's sustainability challenges. Through environmental and technical expertise, economic and statistical analysis, scientific research, education and sharing of best practices, public affairs and communication activities, European Aluminium promotes the use of aluminium as a material with permanent properties that is part of the solution to achieving sustainable goals, while maintaining and improving the image of the industry, of the material and of its applications among their

stakeholders. Our 80+ members include primary aluminium producers; downstream manufacturers of extruded, rolled and cast aluminium; producers of recycled aluminium and national aluminium associations are representing more than 600 plants in 30 European countries. Aluminium products are used in a wide range of markets, including automotive, transport, high-tech engineering, building, construction and packaging. For more information visit www.european-aluminium.eu.

About Japan Aluminium Association

Japan Aluminium Association (JAA) was established in 1947 (the former names were the Light Metal Rolling Association and the Light Metal Smelting Association of Japan). Now, around 140 companies join in JAA, their business fields are various from aluminium rolling, extruding, fabricating and trading etc. JAA represents Japanese aluminium industry and plays a very important role for such as in public relations (including government relations), statistics and standards, and supports member companies in various areas ranging from research & development, energy & environment, safety & health and so on. Through these activities, JAA tries to enhance values and sustainability of aluminium. For more information visit http://www.aluminum.or.jp/english/

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SOURCE:

ALUMINIUM ASSOCIATION OF CANADA

Julien Nepveu-Villeneuve
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November 30, 2018

To: US, EU, Canadian, Japanese, Brazilian and Mexican G20 Leaders

Cc: G20 Foreign Ministers and G20 Sherpas

Your Excellencies:

Earlier this year, G7 leaders recognized the need for global action to level the playing field for the aluminium industry. We urge the G20 to again commit to tackling the issue of market-distorting aluminium overcapacity that stems from state interference and puts aluminium producers across the entire value chain at a profound disadvantage.

Free trade is an engine of prosperity, social mobility and peace – but free trade is only possible and meaningful when businesses are able to operate on an equal footing across the globe.

As organisations representing the aluminium industry in their respective regions, we are increasingly concerned about the persistent growth in overcapacity in both the upstream and mid- and downstream segments of the aluminium industry. This trend is exacerbating the difficulties in creating a global level playing field for aluminium trade. We urge global political leaders to identify shared objectives and commit to definitive action on addressing competitive distortions caused by state-related involvement in the aluminium market.

The growing impact of state-directed interference and unfair industrial subsidies can no longer be ignored. The globally integrated aluminium industry needs your leadership to begin the process of setting new, more effective rules on subsidies that will promote market-oriented conditions for a fair, mutually advantageous global trading system. This deserves to be assessed and adequately handled by multilateral institutions like the World Trade Organisation (WTO) with leadership from the G20 countries.

As regional leaders, we strongly believe the G20 can play a pivotal role in shaping a level playing field in our sector. We believe this can be best achieved by taking positive action to ensure that state-owned enterprises do not have privileged access to non-commercial support that delivers unfair competitive advantage, whether through new multilateral agreements that cover such distortions or a series of wide-ranging domestic and regional policies.

In addition, the overall lack of progress by governments in addressing excess capacity is of grave concern. We reiterate our call for G20 Leaders to monitor transparently the evolution of such a dangerous trend and to create the necessary multilateral arrangements to discuss openly and agree on policies to effectively end these distortive approaches. The B20 Trade and Investment conclusions and recommendations provide a roadmap to deal with this particular challenge in our sector.

On behalf of all our members, we stand ready to support G20 leaders with our knowledge, data and commitment to define operational and regulatory mechanisms in which all the producers, wherever they reside in the aluminium value chain, will find trust, transparency and fairness.

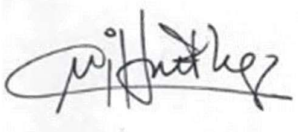
Signed,

Heidi Brock
President and CEO
The Aluminum Association

Gerd Götz
Director General
European Aluminium

Jean Simard
President and CEO
Aluminium Association of Canada

Yoshihisa Tabata
Executive Director
Japan Aluminium Association



Milton Rego
Executive President
Aluminium Association of Brazil

Fernando A. Garcia
President
Instituto Mexicano del Aluminio, A.C.

Joint statement of aluminium associations following the publication of the OECD report: "Measuring distortions in international markets: the aluminium value chain."

In January 2019, the Organisation for Economic Cooperation and Development (OECD) released a landmark report, "Measuring distortions in international markets: The aluminium value chain." It highlights how non-market forces are responsible for some of the recent increases in aluminium smelting capacities, with adverse impacts throughout the value chain. The report conservatively estimates the magnitude of government support received by 17 international companies, selected for their economic relevance and geographic distribution. In total, the report indicates that these companies have received up to USD 70 billion in different forms of support over the 2013-2017 period. Notably, 85 percent of the documented subsidies went to just five firms.

The report suggests improvements to the design of trade rules in WTO to address the distortions resulting from subsidies, as well as the need to assess the impact of government support throughout the whole value chain, and to better account for the influence of state actors given the dual role of some State Owned Enterprises (SOEs) as both recipients and providers of support.

As association leaders who have expressed grave concerns about this situation for several years, we are very appreciative of the work undertaken by the OECD that identifies fact-based evidence concerning the root causes of the significant distortions that have resulted in long-lasting difficulties faced by aluminium producers and lends persuasive support to calls for steps to address such distortions.

Given the extent and duration of the harm suffered by our sector, we are calling for swift, focused and decisive action with respect to both distortive governments support and the excess capacity in both the upstream and downstream aluminium sectors. On behalf of all our members, we stand ready to support Governments and international organisations with our knowledge, data and commitment to articulate improved trade rules and to restore normal market functions so that all producers, wherever they reside in the aluminium value chain, will be able to compete under conditions of fairness and transparency.

20 February 2019

Heidi Brock
President and CEO
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Director General
European Aluminium

Jean Simard
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Aluminium Association of Canada

Yoshihisa Tabata
Executive Director
Japan Aluminium Association

Milton Rego
Executive President
Aluminium Association of Brazil

Fernando A. Garcia
President
Instituto Mexicano del Aluminio, A.C.

Joint Statement of Aluminium Associations
To Urge G7 Leaders to Take Decisive Action Against Aluminium Overcapacity

25 July 2019

As aluminium association leaders, we have for many years expressed our deep concern about unfairly subsidized overcapacity and other market-distorting behaviour that undermines the sustainable growth of the aluminium industry. The prominent OECD report released earlier this year, "Measuring distortions in international markets: The aluminium value chain," highlighted how non-market forces were responsible for some of the recent increases in aluminium smelting capacities, with impacts throughout the value chain.

The OECD report suggested improvements to the design of trade rules, as well as the need to investigate government support throughout the whole value chain and to better account for the influence of state actors, especially given the dual role of State Owned Enterprises (SOEs) as both recipients and providers of support. The report estimated the state support received by 17 international companies using publicly available information. While most government support was provided in the primary aluminium segment, the OECD demonstrated that the support also provided meaningful benefits and advantages to production further down the value chain. In total, these companies have received up to USD 70 billion in different forms of support over the 2013-2017 period. Notably, 85% percent of the documented subsidies went to just five Chinese firms.

The latest B7 joint statement published earlier this month is very much aligned with the outcome of the OECD report. The B7 recommends building "a better framework for industrial subsidies and the treatment of state-owned enterprises," urging governments to adopt policies that result in verifiable and measurable reductions in excess capacities and allow for market-oriented growth.

Our goal is free and fair trade

We are very appreciative of the way Governments, institutions and businesses converge on the issue of excess capacity for which evidence is widely available and shared – as confirmed by the OECD report. Yet, time is running short as aluminium producers are under stronger pressure than ever. What we need now is a solution that is designed for the aluminium sector to ensure a sound future for all stakeholders, including in countries that have benefited the most from government support. It is vital that the chosen pathway be inclusive of the whole value chain. It must be market driven, multilateral, based on multi-stakeholder engagement, transparent, reliable, comprehensive, verifiable and enforceable.

Reinforced by the strength of the OECD report, we hereby reiterate our call for global political leaders to begin the process of setting new, more effective rules on subsidies and SOEs to put an end to such distortive practices. We believe that this is an issue that should be addressed by G7 leaders, finally paving the way for a multilateral approach to resolve similar conflicts in other sectors as well. Like the

B7, we hope that trilateral discussions between the United States, Japan and the European Union can rapidly bring concrete proposals in this area.

Given the extent and duration of the prejudice suffered by our sector, we are calling on the G7 to take the lead for focused and decisive action. On behalf of all our members, we stand ready to support Governments and international organisations with our knowledge, data and commitment to define new trade rules and operational and regulatory mechanisms by which all the producers and downstream players, wherever they reside in the aluminium value chain, will find trust, transparency and fairness.

Jean Simard
President and CEO
Aluminium Association of Canada

Heidi Brock
President and CEO
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Gerd Götz
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Yoshihisa Tabata
Executive Director
Japan Aluminium Association

Aluminium Association of Canada

Press release

For immediate release

Global Aluminium Associations Call for Action on Market-Distorting Behavior at OECD Global Trade Forum

Canadian, European and U.S. Aluminium Associations Urge Concrete Steps Toward Rules-Based Trade

PARIS, FRANCE (October 23, 2019) — During the Organization for Economic Cooperation and Development's (OECD) Global Trade Forum in Paris, France, senior leaders from the aluminium associations of Canada, Europe and the United States called on governments to take urgent actions to reform government policies and practices that distort the global aluminum market.

In a joint statement, Jean Simard, President & CEO of the Aluminium Association of Canada; Gerd Götz, Director General of European Aluminium; and Ryan Olsen, Vice President, Business Information and Statistics for the Aluminum Association said:

"Given the extent and duration of the harm suffered by the aluminium industry, we are calling for swift, focused and decisive action on market-distorting behavior and excess capacity in both the upstream and downstream sectors. On behalf of our respective member companies, we stand ready to support Governments and international organizations with our knowledge, data and commitment to articulate improved trade rules and to restore normal market functions so that all producers throughout the aluminum value chain can compete under conditions of fairness and transparency."

The three representatives spoke in a panel discussion on the aluminium sector, as part of a full-day conference devoted to the issues of leveling the playing field and identifying a multilateral path forward for addressing trade distorting government support across a range of sectors.

Discussion in the session drew on the OECD's January 2019 report, "Measuring Distortions in International Markets: The Aluminium Value Chain." The report, which forms part of broader OECD work to measure government support across sectors including agriculture, fossil fuels and fisheries, is the first OECD has produced on the aluminium industry specifically. The study shows that non-market forces, including state subsidies, are responsible for much of the recent increase in global aluminum capacity, with impacts along the entire industry value chain.

Using publicly available data, the report examined state support for 17 of the world's largest aluminum companies. While each of the 17 firms received some level of government support, industry participants highlighted their concerns about the nature and scale of support in some countries.

“The fact that fully 85 percent of the identified subsidies went to five aluminium producing firms in China, representing USD $70 billion in direct support from the Chinese government over a five-year period is of great concern” said the three associations in their joint statement. “The OECD evidence underscores the need for urgent action to level the playing field for the aluminium sector globally”.

About the Aluminium Association of Canada (www.aluminium.ca/en)
The Aluminium Association of Canada (AAC) is a non-profit organization representing three Canadian world-class aluminium producers: Alcoa, Alouette, and Rio Tinto operating nine smelters in Canada, eight of which are in Quebec, with over 8,500 jobs. For more information, visit www.aluminium.ca or Twitter @AAC_aluminium.

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ALUMINIUM INDUSTRY BRIEF FOR G7 TRADE MINISTERS: ADDRESSING DISTORTIONS IN INTERNATIONAL MARKETS FOR ALUMINIUM

What we know about distortions in international markets

Concerns about fair competition in international markets are shared by many governments and business sectors and have been growing for some time. Failure to update the rule book for international trade, in particular with respect to domestic subsidies and discriminatory regulations, underpins many of these concerns. In addition, the lack of concrete information on the nature and scale of government support for sectors ranging from agriculture to industrials to high tech precludes effective international efforts to ensure free, fair and open markets for producers and traders.

Distortions in international markets arising from ill-designed government support policies have been prevalent for decades. Very high levels of domestic support and trade protection in agriculture are well known, for example, yet thus far have been largely intractable. International interest increased dramatically with the emergence of state enterprises and state capitalism in the global marketplace. Initially attention focused on steel and aluminium but has since expanded to high tech sectors such as semiconductors. Most recently, the enormous - albeit necessary - infusion of government support in many economies to mitigate the negative impacts of COVID-19 has re-opened an old debate about the respective roles of the private and public sectors in ensuring reliable supplies of essential materials, goods, and services.

Distortions in international markets for aluminium have been examined in depth by the OECD. This ground-breaking analysis illustrates clearly the importance of non-market forces in contributing to large increases in capacity in the aluminium sector in recent years. Between 1995 and 2020, China surged from being a relatively minor global player to become the world's largest producer, by a wide margin, of alumina, primary aluminium, and semi-fabricated aluminium products. Today, China accounts for fully 57% of global output. This growth in China's output continued during periods of global price declines, and even as plants closed elsewhere expansion continued unabated in China.

Support to Chinese firms by the Chinese government explains much of this growth. Between 2013-17, seventeen of the largest global firms operating along the aluminium value chain received up to USD 70 billion of government support. Fully 85% of all of this support went to just five Chinese owned firms. In addition, firms operating in China at different stages of the value chain benefitted from a complex array of border restrictions, VAT rebates, and other forms of preferential treatment.

The consequences are clear and on-going: global aluminium output growth in excess of normal market demand, in turn depressing prices and threatening the viability of un-subsidized firms.

Existing multilateral subsidy rules have been inadequate to remedy the scale and scope of state intervention in aluminium markets. Negotiating new multilateral rules is a complex undertaking, but that is exactly what is required. We strongly support international economic cooperation as the best way to ensure that both existing sources of distortions in markets are reduced and new sources of distortions are avoided in the future.

The World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between nations. The goal is to ensure that trade flows as smoothly, predictably and freely as possible. The 163 countries that are members of the WTO all committed to this goal not because they had to, but because they chose to. Why? Because free, fair and open markets that enable competition on the basis of a level international playing field are in every countries' interest – economically, environmentally, and socially.

Why free, fair and open international markets for aluminium matter

The aluminium value chain operates in a growing global market, with demand expected to increase 40% by 2050. Beyond its traditional manufacturing base, the industry is poised to be an even more critical source of material for a range of future uses in a low carbon world. But that opportunity is at risk from less sustainable sources of supply driven by very high levels of state support.

Jobs are at risk, including in strategic sectors,

Across the US, Europe and Canada the industry directly employs 425,000 workers and supports an additional 1,520,000 jobs, generating USD 130 billion of economic output. These are well-paid jobs for skilled workers often in high unemployment and rural areas. And new uses for aluminium mean new jobs supplying markets from aerospace to food packaging.

NASA's Orion spacecraft structures are made from an aluminum-lithium alloy, as will be Orion's next generation Multi-Purpose Crew Vehicles (MPCVs).

Because aluminium is lightweight, strong, and corrosion resistant, its use in aircraft manufacture allows planes to be more fuel efficient and to carry more weight, safely.

Aluminium use in automobiles and trucks is growing and has reduced average vehicle weight by about 15% – and aluminium absorbs twice the crash energy of steel. Electric powered vehicles need to be lightweight, and by 2030 combustion cars are expected to be no more than 5% of the new vehicle market. Already today aluminium in vehicles has reduced the carbon footprint by 20%.

Aluminium is a key material in a wide range of renewable energy systems, including solar thermal collectors and power plants, wind turbines, and photovoltaic systems; it is also a component in LEED-certified green buildings.

…reliable supply of critical materials is at risk,

The US, Europe and Canada are working to ensure access to a reliable future supply of critical materials. This is a direct response to China's increasingly dominant state-funded presence in supply chains for critical minerals that are key to strategic industries such as defense, aerospace and communications. Aluminium is on the critical materials list of the US, EU and Canada.

Further, the processing of bauxite into the alumina required for aluminium production generates residual minerals including magnesium, silicon dioxide, as well as titanium oxide and gallium nitride, both listed on the lists of critical minerals established by the US, EU and Canada.

…and moving to a low carbon economy is at risk.

Across the US, Europe, and Canada the aluminium value chain is highly energy efficient: CO2 emitted per metric tonne of aluminium produced (CO2 e/mt Al) averages less than 6 and as little as 2, compared with a global average of 17 and 20 for coal-based production systems.

Aluminium is a circular material; it is 100% recyclable, can be recycled indefinitely without losing its properties, and 75% of the aluminium ever produced is still in use today. Recycling requires just 5% of the energy required to produce the primary metal, and already 36% of the aluminium produced in the US, Europe and Canada is recycled - and this is expected to increase to 50% by 2050. Aluminium cans contain 73% recycled content today, three times more than glass or plastic. And aluminium enables flexible packaging, improving storage for perishable foods, for example, helping to reduce unnecessary food loss & waste.

In brief, energy efficient production and efficient recycling systems in the US, Europe and Canada can make a major contribution to sustaining good jobs in rural areas, ensuring reliable supplies of strategically important materials, and realizing a low carbon economy – but only if international markets along the aluminium value chain are free, fair and open**.**

The consequences of not addressing international market distortions should also be clear: subsidized aluminium from high CO2 emitting production systems will increasingly spill-over into national and international markets, replacing well-paid jobs at home with higher CO2 emissions abroad, eroding robust industrial ecosystems, and driving out sustainable domestic capacity and resilient supply chains in the US, Europe and Canada.

How international markets can be made more free, fair and open

Our ultimate aim is new multilateral rules, negotiated and agreed at the WTO. To solicit the needed political commitment from countries with different priorities, the scope of coverage might potentially need to include: long-standing support for sensitive sectors, including agriculture, fisheries, and fossil fuels; support for industrial and high tech sectors, including aluminium, steel and semiconductors; recent emergency support for struggling businesses impacted by COVID-19; and discriminatory regulations, including data localization requirements and forced technology transfer. Clearly, reaching a comprehensive multilateral agreement would be a long-term undertaking.

Recognizing this reality, plurilateral cooperation amongst like-minded countries must be pursued urgently. Whenever possible, early agreement on effective disciplines for specific sectors - including aluminium - should be embraced. In some cases, various forms of 'soft law' (guidelines, principles, etc.) might be a viable interim measure. Importantly, all of these efforts will need to be underpinned by a much greater level of policy transparency – it is obviously not possible to review, to discuss and to discipline that which is not visible.

We endorse fully the findings of a new OECD report, *Fostering Economic Resilience in a World of Open and Integrated Markets,* which was prepared at the request of the UK G7 Presidency. It reads in part,

"A resilient global economy needs strong institutions, rules and norms to ensure open, fair and innovative markets operating on a global level playing field…Governments could agree to work collectively to strengthen resilience by further levelling the global playing field, by:

- *actively supporting reform of the rules-based multilateral trading system embodied in the WTO, including strengthening WTO disciplines on government support and state ownership in industrial sectors, starting with enhanced disciplines on transparency…*

- *ensuring that even in times of crisis, governments maintain competitive neutrality, whereby state intervention in the form of emergency support to otherwise viable firms is transparent, time-limited, non-discriminatory and consistent with longer-term objectives."*

The G7 today can and should provide much needed support for ambitious multilateral and plurilateral negotiations. As a practical first step governments should immediately launch ***a new transparency initiative****;* better and more widely shared information on the scale, nature and likely impact of government support would enable negotiators to identify, and then to target, the most egregious forms of distorting support. G7 governments should invite the WTO Secretariat to articulate a strengthened trade policy monitoring and review (TPR) process that could then be considered by the whole WTO membership. At the same time, G7 governments should ask the OECD to strengthen its analytical efforts, building on the considerable work it has done to date to measure policy induced distortions in international markets. Ideally, with the support of their members, the WTO, OECD and other relevant international organisations would work together, and in collaboration with the private sector, to deliver the evidence necessary to enable governments to remove trade distorting support and to ensure that international markets are free, fair, and open.

A second essential step would be ***a high-level G7 political commitment*** *to ensure that trade flows as smoothly, predictably and freely as possible.* This should be feasible as it is the same commitment that governments made when they originally joined the WTO. Any such commitment by G7 Leaders or Trade Ministers, for example, would subsequently need to be underpinned by clear goals and specific actions to be undertaken over a period of time, whether by governments themselves or acting with the support of international organisations and the private sector.

In very concrete terms, G7 Leaders or Trade Ministers could agree to build on the existing trilateral cooperation (US-EU-Japan) to create a new G7 initiative dedicated to reducing trade distorting government support and strengthening disciplines on state ownership in industrial sectors. While the standard of ambition would be set by G7 members, additional participation should be open to other economies willing to meet this standard.

Our ultimate interest is in new rules agreed at the WTO, but we also recognize that this will take time. And action is needed now. Plurilateral cooperation and interim measures, from sectoral commitments to 'soft law' guidelines, can enable at least some initial steps towards free, fair and open international markets. To this end, the aluminium industry remains committed to working with your government at home and with multilateral processes abroad; doing so is in all of our interest.

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Press release

For immediate release

Aluminium Associations in the US, Europe, Canada and Japan Urge G7 Governments to Take Concrete Steps to Deliver More Free, Fair and Open Trade

Global Aluminium Associations Welcome New OECD Report Highlighting the Extent of the Role of Below-Market Finance in Distorted International Markets

(Washington DC, Brussels Belgium, Montreal Canada, Tokyo Japan — May 12, 2021) The aluminium associations of the United States, Europe, Canada and Japan call on G7 governments to provide leadership in support of ambitious multilateral and plurilateral negotiations to discipline trade distorting government support and state ownership in industrial sectors. There is clear and compelling evidence today that existing multilateral subsidy rules are inadequate to remedy the scale and scope of state intervention in aluminium markets.

The just released report of the Organisation for Economic Cooperation and Development (OECD), "*Measuring distortions in international markets: Below-market finance*", OECD Trade Policy Papers, No. 247, OECD Publishing, Paris, provides new insights across more than 300 firms in 13 industrial sectors. OECD analysis included 32 aluminium companies with a combined 70% share of the global market. Over the past decade governments provided considerable support in the form of below market borrowings, the vast majority of which went to Chinese firms. The report estimates the value of China's support to have ranged between 4% and 7% of the annual revenue of these firms; this is in stark contrast to other firms in the sample which received support in the vicinity of 0.2% of their annual revenue. Over the same period, China has accounted for most of the increase in global production capacity.

In a joint statement Tom Dobbins, President & CEO of The Aluminum Association, Gerd Götz, Director General of European Aluminium, Jean Simard, President & CEO of the Aluminium Association of Canada and Yoshihisa Tabata, Executive Director of the Japan Aluminium Association said:

"The scale and duration of state support is resulting in output growth in excess of normal market demand, in turn depressing global prices and threatening the viability of un-subsidized firms. Energy efficient production and recycling systems in the US, Europe, Canada and Japan can make a major contribution to sustaining good jobs in rural areas, ensuring reliable supplies of strategically important materials, and realizing a low carbon economy – but only if international markets along the aluminium value chain are free, fair and open.

On behalf of our member companies, and the more than 2 million direct and indirect jobs that they support, we are committed to work with governments and international organizations to contribute to modernizing trade rules that will enable all producers and traders to compete under conditions that are transparent, predictable, and fair."

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About The Aluminum Association
The Aluminum Association represents aluminum production and jobs in the United States, ranging from primary production to value added products to recycling, as well as suppliers to the industry. The association is the industry's leading voice, representing *companies that make 70 percent of the aluminum and aluminum products shipped in North America.* The association develops global standards, business intelligence, sustainability research and industry expertise for member companies, policymakers and the general public. The aluminum industry helps manufacturers produce sustainable and innovative products, including more fuel-efficient vehicles, recyclable packaging, greener buildings and modern electronics. In the US, the aluminum industry supports $172 billion in economic activity and nearly 660,000 jobs. For more information visit *https://www.aluminum.org* or find us on *Twitter*, *LinkedIn*, *Facebook* or *Instagram*.

About European Aluminium
European Aluminium, founded in 1981 and based in Brussels, is the voice of the aluminium industry in Europe. We actively engage with decision makers and the wider stakeholder community to promote the outstanding properties of aluminium, secure growth and optimise the contribution our metal can make to meeting Europe's sustainability challenges. Through environmental and technical expertise, economic and statistical analysis, scientific research, education and sharing of best practices, public affairs and communication activities, European Aluminium promotes the use of aluminium as a material with permanent properties that is part of the solution to achieving sustainable goals, while maintaining and improving the image of the industry, of the material and of its applications among their stakeholders. Our 80+ members include primary aluminium producers; downstream manufacturers of extruded, rolled and cast aluminium; producers of recycled aluminium and national aluminium associations are representing more than 600 plants in 30 European countries. Aluminium products are used in a wide range of markets, including automotive, transport, high-tech engineering, building, construction and packaging. For more information visit www.european-aluminium.eu.

About the Aluminium Association of Canada (www.aluminum.ca/en)
The Aluminium Association of Canada (AAC) is a non-profit organization representing three Canadian world-class aluminium producers: Alcoa, Alouette, and Rio Tinto operating nine smelters in Canada, eight of which are in Quebec, and employing over 8,800 workers and generating over 5.5 billion US$ in annual deliveries. For more information, visit http://www.aluminium.ca or Twitter @AAC_aluminium.

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Press release

For immediate release

Global Aluminium Associations Welcome G7 Trade Ministers Joint Communique Addressing Market-Distorting Policies and Practices

Washington DC, Brussels Belgium, Montreal Canada, Tokyo Japan, June 1, 2021 — The aluminium associations of the United States, Europe, Canada and Japan welcome G7 Trade Ministers' commitment to "…stronger international rules on market-distorting industrial subsidies and trade-distorting actions by state enterprises."

In the joint Communique issued at the conclusion of their meeting on 28 May 2021, G7 Trade Ministers recognized the harmful impacts of market-distorting practices on citizens and businesses. "These practices create unfair competitive conditions, hindering the development and use of innovative technologies and undermining the proper functioning of international trade. Of particular concern are harmful industrial subsidies, including those that lead to severe excess capacity, a lack of transparency regarding the state's role in the economy and the role of state enterprises in unfair subsidization, and forced technology transfer."

In welcoming the commitment to strengthening international rules, Tom Dobbins, President & CEO of The Aluminum Association, Gerd Götz, Director General of European Aluminium, Jean Simard, President & CEO of the Aluminium Association of Canada and Yoshihisa Tabata, Executive Director of the Japan Aluminium Association said:

"We certainly welcome and value the shift from bilateralism to multilateralism, which is the only way to resolve this global issue. The aluminium industry across our countries has been working together to ensure that our optimized production and recycling systems, and the 2 million direct and indirect jobs that they support, do not fall victim to the enormous subsidies from state enterprises that are distorting markets along the aluminium value chain. We have been asking our governments to work together as well, and to work with us; they have responded."

"We applaud G7 Trade Ministers for confronting this long-standing issue and join them in recognizing the essential contributions of the OECD such as its recently released report on below market finance to improving the transparency of otherwise opaque state policies and practices. We are committed to support their continued efforts to build modern trade rules that address the excesses of state capitalism."

"Our member companies are not seeking protection from competition within or outside our countries – we are seeking a global level playing field, with free, fair, and open markets. Our workers, our companies, our customers, and all of our citizens deserve no less."

About The Aluminum Association
The Aluminum Association represents aluminum production and jobs in the United States, ranging from primary production to value added products to recycling, as well as suppliers to the industry. The association is the industry's leading voice, representing *companies that make 70 percent of the aluminum and aluminum products shipped in North America.* The association develops global standards, business intelligence, sustainability research and industry expertise for member companies, policymakers and the general public. The aluminum industry helps manufacturers produce sustainable and innovative products, including more fuel-efficient vehicles, recyclable packaging, greener buildings and modern electronics. In the US, the aluminum industry supports $172 billion in economic activity and nearly 660,000 jobs. For more information visit *https://www.aluminum.org* or find us on *Twitter*, *LinkedIn*, *Facebook* or *Instagram*.

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THE ENVIRONMENTAL CASE FOR INDUSTRIAL SUBSIDY REFORM

The aluminium industry welcomes the increased attention of governments to the harmful distortions in international markets resulting from ill-designed state support. Very high levels of production and trade distorting support remain widespread, encompassing industrial sectors from aluminium and steel to semiconductors and commodity sectors from agriculture and fisheries to fossil fuels. The need for subsidy reform has been explicitly recognized by G7, G20 and APEC member governments, amongst others, and by several international organisations, including the WTO, OECD, IMF and WBG.

The OECD has well documented the nature and scale of support across the aluminium value chain (2019, 2021, 2021.G7), often provided by state enterprises to state enterprises, and the aluminium industry has highlighted the negative implications of high levels of support for its ability to retain resilient and robust supply chains and good jobs in rural areas.

Less attention has focused on the potential environmental costs of current state support, and they are considerable.

At present, subsidies along the aluminium value chain primarily encourage extraction, production, processing, and export in high greenhouse gas (GHG) emitting production systems, in particular those based on fossil fuels. This has significant environmental implications; CO2 emitted per metric tonne of aluminium produced is ten times higher for coal-based systems than for efficient hydro-based systems. By displacing output (and jobs) from low GHG emitting systems these subsidies contribute to a much higher than otherwise carbon footprint across the sector globally.

The generation of electricity alone accounts for about 60% of current aluminium industry GHG emissions, and recent analysis by the International Aluminium Institute (IAI) highlights electricity decarbonization as essential to industry emissions reduction. The IAI emphasizes that this will only be possible with massive new investments to introduce a range of alternative clean energy sources, from renewables to nuclear. Yet existing industrial subsidies incentivize exactly the opposite behavior – a continued reliance on fossil fuel-based systems – by those firms in receipt of subsidies.

In addition, reduced returns and growth opportunities in unsubsidized production systems discourage new private investment and innovation, including in cleaner energy sources. In the countries that provide very high levels of support, industrial subsidies divert limited resources that could otherwise be available for alternative uses, including public investment in clean energy and climate innovation.

By lowering upstream costs, subsidies also discourage development of energy-saving and waste-reducing recycling systems. This is particularly important as aluminium is 100% recyclable, and recycling requires just 5% of the energy required to produce the primary metal. IAI analysis also notes that maximizing recovery rates for end-of-life materials across all industry segments would yield major emission reductions, second only to electricity decarbonization.

At the same time, many governments are turning towards more ambitious climate policies to reduce global GHG emissions and realize the promise of the Paris Agreement. It is essential that much more be done to limit global warming, preferably to 1.5 degrees C compared to pre-industrial levels. But simply layering new climate policies on top of already distorted international markets risks exacerbating trade tensions without improving climate outcomes. Carbon leakage is happening today, at least in part, because of industrial subsidies; removing them must be one element of a comprehensive policy response "…to deliver a Paris-aligned aluminium industry".

Global demand for aluminium is expected to increase up to 80% by 2050, providing essential components of renewable energy systems, lightweight vehicles, intelligent buildings, and protective consumer packaging. Aluminium is already recognized by many governments as a critical material for a range of strategically important industry applications. The aluminium industry is committed both to meeting this demand and to reducing GHG emissions – effectively decarbonizing the sector.

The aluminium industry strongly supports updated multilateral rules to discipline harmful industrial subsidies, negotiated at the WTO. It also recognizes that a comprehensive multilateral agreement would be a long-term undertaking and that action is needed now. Failure to act would mean a continued accumulation of environmental, economic, and social costs, eroding sustainable industrial ecosystems and replacing well-paid jobs in many countries with highly subsidized and high GHG emitting production systems elsewhere.

The aluminium industry has recently suggested that plurilateral cooperation amongst like-minded countries could be a practical step forward in the short term. While a multi-sector agreement is highly preferable, the relative dearth of reliable data on the nature of government support in many sectors poses practical difficulties and implies inevitable delays.

Given the considerable data already available on government support across the aluminium value chain, the sector could be a candidate for early negotiations – even acting as a 'pilot case' to explore both the opportunities and the challenges to reaching binding disciplines that work for all countries - and for the global environment, economy, and society. The aluminum industry is ready to work actively with individual governments at home and with multilateral processes abroad to achieve these widely shared goals.

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Global Aluminum Associations Call on G7 Trade Ministers to Tackle State Subsidies

New Briefing Lays Out Economic & Environmental Costs of Failure to Act

ARLINGTON, VA; BRUSSELS, MONTREAL, TOKYO (February 4, 2022) – Today, the Aluminum Association, European Aluminium, the Aluminium Association of Canada and the Japan Aluminium Association jointly released their newest policymaker briefing, *Towards a Fairer and Cleaner Trade in Aluminium*, on the ongoing challenges in the global trade of aluminum. The paper cites data from the Organization for Economic Co-operation and Development (OECD) demonstrating how massive state subsidies, especially in China, have distorted aluminum supply chains and harmed the environment. The briefing was shared with lead trade ministers in all G7 nations (Canada, France, Germany, Italy, Japan, the United Kingdom and the United States).

As the briefing explains, over the past 20 years, aluminum production in China grew from around 10% of the global market to nearly 60% today. Much of this growth was driven by massive state subsidies non-compliant with WTO rules. A 2021 OECD report examined state subsidies to 32 companies representing 70% of the global aluminum market. The study found that Chinese firms received state support ranging from 4% to 7% of annual revenues as compared to similar support representing 0.2% of annual revenues of non-Chinese firms. These subsidies unfairly benefit Chinese production at the expense of the more than 1.8 million direct and indirect aluminum jobs supported by the industry in the U.S., Europe, Canada and Japan. They also weaken domestic supply chains for many products vital to national and economic security.

Additionally, the above-mentioned state subsidies tend to support extraction, production, processing and export of high greenhouse gas (GHG) emitting production systems instead of cutting-edge aluminum production. About 88% of China's aluminum production relies on coal-generated electricity, which emits 10X as much CO_2 per ton of aluminum as compared to hydropower-based systems common in the rest of the world.

"With continued demand growth and U.S. investment totaling $4 billion in the over the past decade, American aluminum has an enormous opportunity to thrive in the 2020s and beyond," said Charles Johnson, president & CEO of the Aluminum Association. "But, meeting our full potential will require smart policy to combat massive state subsidies that distort global supply chains and slow down the industry's push to decarbonize. Aluminum firms everywhere – not just state-owned enterprises – should benefit from demand that is expected to grow 80% globally by 2050."

"Unfair trade practices erode the tremendous economic and social benefits domestic value chains crucial to the achievement of the European Green Deal bring and accelerate an alarming trend Europe has been facing over the past years: an increasing import dependency on high-carbon products that do not meet Europe's sustainability standards", said Paul Voss, Director General of European Aluminium.

"Canada's responsibly produced low CO_2 primary metal is the result of massive multibillion $ modernization investments, operational efficiency and stringent regulatory environment", said Jean Simard, President and CEO of the Aluminium Association of Canada. "As we move ahead, to further our decarbonization, a clear and clean trading level playing field is required in order to avoid subsidized carbon leakage disrupting our North American value chain."

"In Japan, 2,400 companies operate along the aluminium value chain and support almost 100 thousand jobs", said Yasushi Noto, executive director of Japan Aluminium Association. "Aluminium is significantly useful to recycle compared with other materials and the industry has the vital role to reduce carbon footprint. To achieve the goal of carbon neutral, we have to prevent the carbon leakage associated with distorted global aluminium value chain."

The aluminum associations are calling for immediate action and attention to address these systemic challenges. As the briefing notes, "We are offering to help, to contribute to creating the modern trade rules that will benefit our sector - and all industrial sectors." Specific calls for action include:

- **Updated WTO Rules on Industrial Subsidies:** The World Trade Organization (WTO) should update its rules to discipline countries that engage in non-market-oriented practices, including massive and harmful state subsidies. Such an effort would be a significant undertaking but is likely the most effective long-term solution to combat market-distorting behavior.
- **Strong Trade Enforcement:** Countries should continue to use available trade enforcement remedies to combat unfair trade practices in relevant markets. Governments in the U.S., Europe, Canada and Japan have all made substantial use of trade enforcement tools in recent years and these efforts should continue.
- **Multilateral Engagement:** *The U.S./EU/Japan Trilateral Partnership*; *U.S./EU Global Arrangement on Sustainable Steel and Aluminium*; *U.S./EU Trade and Technology Council*; and the *Global Trade Challenges Working Group* have all highlighted the challenges of market distorting behavior in the aluminum trade. These groups must now work toward concreate policy solutions to address these challenges.

"We need the freedom to build supply chains that are robust and resilient, in an environment where public policies are transparent, predictable, and non-discriminatory. These conditions are essential to incentivize the enormous private investments that are required to decarbonize our sector, sustain our environment, strengthen the resilience of our industrial ecosystems, and continue to provide good jobs," the briefing concludes.

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Press release

For immediate release

Global Aluminium Associations Welcome New Analysis from International Organisations on Trade Distorting and Environmentally Damaging Subsidies

(Washington DC, Brussels Belgium, Montreal Canada, Tokyo Japan — 27 April 2022)

The aluminium associations of the United States, Europe, Canada, and Japan welcome the new report by the International Monetary Fund (IMF), Organisation for Economic Cooperation and Development (OECD), World Bank Group (WBG), and World Trade Organisation (WTO), ***Subsidies, Trade, and International Cooperation***.

This joint report highlights, "With the frequency and complexity of distortive subsidies increasing, even as the need grows for active policies to address climate, health, food, and other emergencies, subsidies and the subsidies debate have brought significant discord to the trading system. The issue demands global attention and cooperation."

In welcoming the report, Charles Johnson, President & CEO of The Aluminum Association, Paul Voss, Director General of European Aluminium, Jean Simard, President & CEO of the Aluminium Association of Canada, and Yasushi Noto, Executive Director of the Japan Aluminium Association said:

"This latest analysis by the world's preeminent international organisations draws attention, yet again, to the prevalence of trade distorting and environmentally damaging subsidies provided both by and to state enterprises across the entire aluminium value chain."

"High levels of support are displacing production from unsubsidized firms unable to compete with the deep pockets of the state and driving out resilient supply chains in strategic sectors across the US, Europe, Canada, and Japan. Nearly 2 million direct and indirect jobs are at risk.

These same subsidies increase output in high GHG emitting production systems, resulting in a much higher carbon footprint globally. By reducing growth opportunities in unsubsidized production systems, subsidies also discourage private investment and innovation in initiatives to decarbonize the sector."

"Our member companies are committed to producing aluminium responsibly but doing so is being hindered by state capitalism on the scale we are witnessing across the aluminium value chain today. Action is urgently needed to build a global level playing field, open to fair competition and free of subsidies that favor just a few firms at the expense of many. We actively support updated WTO rules and plurilateral initiatives to discipline harmful industrial subsidies and are ready to work together with international organisations and with governments to achieve this."

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