

Aluminium Industry COVID-19 Recovery Plan

The UK aluminium sector is of profound national significance, generating £10 billion annually and employing more than 20,000 people.

As a result, the Government must take essential steps to help the sector recover from the impact of coronavirus. The UK manufacturing PMI fell to 32.6 in May, down a dramatic 19.1 points from February. ALFED members have reported order book reductions at levels not even seen during the 2008 financial crisis – some as high as 80%. And since 23rd March 2020, 14% of ALFED members have been forced to close temporarily.

The Government must continue supporting aluminium companies in the short term – and throughout the forthcoming economic recovery. Here we outline 3 pillars for our recommended recovery measures, which will help the aluminium industry drive UK growth in the short and medium term.

Pillar 1: Allow production to ramp up – safely and sustainably

A vast range of products and services require aluminium for processes related to production and maintenance. Many are essential to the ongoing coronavirus response, such as medical supplies, packaging and electricity transmission. Many others are essential to driving broader economic growth, including automotive, transport, construction and recycling.

UK aluminium production can continue with heightened health and safety guidelines that incorporate social distancing, PPE, health screening and enhanced cleaning measures. The Government must therefore give the green light for production to ramp-up, so vital materials can flow into key supply chains.

We recommend the Government ensure:

- **Clear direction on workplace health and safety guidelines** – that align with standards being implemented with EU trading partners. Europe accounts for 54% of total UK aluminium exports by volume and almost 60% by value. We must ensure UK standards allow for continued, streamlined trade with this high-value market
- **Import and export efficiency** – to ensure supply chain logistics can continue securely
- **Whole supply chain ramp-up** – aluminium is part of complex upstream and downstream supply chains. All stages must be allowed to ramp-up simultaneously for these supply chains to function

Pillar 2: Continue financial support through the medium term

We welcome the financial support the Government has provided to date – and the efforts made to help aluminium companies access funding through Government schemes. This support must continue – and include:

- **Liquidity support** – through Government schemes, extended beyond the initial period and likely into 2021, to include additional initiatives that defer tax payments and offer energy-related tax relief
- **Payment guarantees** – to ensure ongoing liquidity if customers are unable to meet contracted payment terms

- **Credit insurance continuity** – to ensure companies can manage credit control and aren't negatively affected by reactive insurance companies passing on risks or removing facilities
- **CapEx support** – to enable essential upgrades, enhance energy efficiency and support required maintenance

Pillar 3: Drive the UK's low-carbon growth strategy

As the global economy restarts, the UK must secure a competitive advantage – particularly as China ramps up production and threatens UK market share. The Government must therefore support the low-carbon innovation and high-value manufacturing that will make us an attractive investment destination and trading partner.

As a lightweight and highly recyclable material, aluminium is a key contributor to the low-carbon and circular economy. Its role will continue expanding, from replacing single-use plastics to supporting more sustainable transport. Enhancing existing capabilities and reshoring production will help reduce the UK's reliance on carbon-intensive imports – and achieve the Government's objectives for sustainable growth.

The Government must therefore facilitate:

- **R&D acceleration** – so innovative products – from medical devices to e-mobility – can go to market quickly
- **Red tape reduction** – to reduce costs and boost agility. Administrative burdens disproportionately affect small and medium-sized companies, which make up 80% of UK aluminium and 90% of UK automotive. Opportunities include streamlining customs paperwork and optimising UK versions of regulations such as IED and REACH to be less onerous (while maintaining appropriate standards). There should also be flexibility on compliance deadlines in the short and medium term, to account for continued coronavirus-related disruption
- **Safeguards and remedies** – to ensure security of supply and protect against dumping
- **Preferential trade agreements** – with the EU, US and other key partners, completed within a clear, transparent timetable so businesses can plan. This includes securing exemptions for Section 232 aluminium tariffs in the US and ensuring UK/EU trade continues with as little friction as possible

The coronavirus recovery plan must support long-term growth in domestic output, high-value manufacturing and low-carbon innovation. It must maintain a strategic advantage in aluminium to ensure supply security for key sectors. And it must involve collaboration with key trading partners to share best practice as we adjust to new conditions.

We stand ready to work with Government and our partners to meet the challenges imposed by COVID-19 – and to shape conditions into an opportunity for strategic growth.

About the Aluminium Federation

The Aluminium Federation is the voice of the UK aluminium industry. We represent more than 150 businesses and the wider value chain who process, trade and work with aluminium – fostering innovation, promoting best practice, developing skills and championing industry interests.



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