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COVID-19: Impacts on the European Metals Industry

The COVID-19 virus outbreak has caused a major health crisis across Europe and the globe, and rapidly worsening economic conditions.

Guy Thiran, Director General for Eurometaux (European non-ferrous metals association), comments *“The European non-ferrous metals industry’s priority when facing the COVID-19 crisis is to safeguard its employees & help reduce the spread of the virus, while maintaining its operations to the extent possible for supplying essential value chains. Our companies are already experiencing unprecedented challenges which we expect to grow in the next weeks & months”*.

The non-ferrous metals industry is a key supplier of essential value chains including medical equipment, food packaging & critical infrastructure (see Annex). A continued EU metals supply will be vital throughout the health crisis, and beyond that for supplying Europe’s climate transition during the post COVID-19 recovery period.

A survey of the Eurometaux membership has found that the non-ferrous metals sector is already experiencing significant and growing economic impacts from COVID-19, including reduced demand, supply disruptions, transport difficulties & workforce disturbance.

This paper explains the industry’s situation and where the EU can give support. EU leadership and coordination will be essential in the coming weeks and months to maintain the viability of Europe’s metals value chain (mining, smelting/refining, transformation and recycling operations) and its supply of essential material to key strategic sectors.

Actions taken to protect employees while maintaining essential operations

Across Europe, the metals industry has introduced measures necessary for protecting its workers and operations by limiting their presence on industrial sites and protecting those remaining on the job (e.g. implementing remote working where possible, plus mandatory hygienic measures and distancing requirements for employees on site).

In the European countries most impacted by COVID-19 to date, reduction in activity and some plant idling has already been forced. Worker absenteeism also increases in line with the virus’s spread. The non-ferrous metals industry has a significant industrial presence in Italy, Spain & France, as well as most other countries implementing lockdowns.

The consequences are different across each stage of the metals value chain. A specific challenge is that smelting and refining plants operate continuous production processes that cannot be stopped without damage. In contrast, certain downstream transformation operations would be liable for idling due to severe demand reduction from key sectors.

Economic impacts from COVID-19 to date

COVID-19 is causing significant and growing economic impacts on the European non-ferrous metals sector, caused by major demand reduction in key value chains, supply disruptions, and transport difficulties. Producers are already facing their worst financial conditions since late 2015, with a 10-20% fall in London Metals Exchange global prices for aluminium, copper, lead, nickel & zinc across March.

1. **Major demand reduction** – Plant closure and slowdown in European and global automotive and construction supply chains will substantially reduce the market for European metals (between 30 and 70% of each base metal’s supply is directed to these two sectors). Some metals companies expect a demand reduction of over 50% in the coming weeks, which would have a damaging impact on the sector overall.



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2. **Supply chain disruption** – The metals sector is already experiencing bottlenecks in supply of raw materials and other inputs, notably due to COVID-19 disruptions in China (e.g. for inputs where China has a dominant market share including silicon, magnesium, manganese, calcined petroleum coke (CPC) and others).

The impact of the virus on Europe as a continent will be even more damaging. We project significant further supply disruptions due to “lockdown” measures taken across EU Member States, both for primary and secondary raw materials (e.g. metals scrap and end-of-life products). Companies also already experience a shortage of the protective equipment necessary for safeguarding their workers.

3. **Barriers to transport & shipments** – The widespread closure of Member State borders, without a coordinated EU approach, impacts on the transport transit time of raw materials to company premises. The metals value chain operates across EU Member States and is reliant on operational transboundary shipments.

We already experience significantly increased delays and costs (for example, due to reduced availability of truck drivers, limited space availability on railway platforms, and quarantine periods applied for certain vehicles).

Recommendations for EU action

We call for leadership and coordination from a European Union level to support Member States in taking the necessary measures to help industries deal with these major challenges:

- **Recognise importance of EU non-ferrous metals supply for essential value chains**
 - Sustain EU non-ferrous metals production and recycling as a key activity for supplying essential value chains such as medical equipment, food packaging, and critical infrastructure, which should therefore be listed for continued operation, state-aid & other priority measures like protective equipment / materials (*see Annex for further information*)
- **Work to ensure frictionless cross-border movement:**
 - Grant access to ‘fast lanes’ for trucks delivering raw materials of continuous process industries
 - Take measures to streamline the notification procedure for waste shipments
 - Maintain industry access to protective equipment (masks, glasses) for COVID-19 & occupational health
- **Maintain EU industry’s access to essential raw materials**
 - Recognise in advance that further global disruptions from COVID-19 may again reduce EU industry’s access to certain essential raw materials, and develop strategies to ensure supply
- **Encourage banks and insurers to refrain from reducing credit limits or worsening credit and insurance conditions**
 - Prioritise ensuring the financial liquidity of EU companies. Banks and financing institutions must use their resilience to support their customers during the health crisis.
- **Provide flexibility for imminent policy deadlines where necessary**
 - Evaluate when it will be necessary to extend policy implementation deadlines for companies. A first example is compliance with the BAT conclusions for non-ferrous metals (*Commission Implementing Decision 2016/1032*), which would normally be due by 30 June (others are being investigated)



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Annex: Non-ferrous metals industry and supply to essential EU value chains

The non-ferrous metals industry supplies several essential value chains across the European Union and Member States

- **Supply of materials and products to medical supply chain**
 - Aluminium profiles for field hospitals, respiratory machines and other medical instruments & equipment
 - Aluminium sheet for the packaging of pharmaceutical and medical products
 - Copper rod for use in ventilators and other electromedical appliances
 - Zinc for medical devices including defibrillators, artificial respiration devices, ionisation units, air purifiers, portable oxygen supplies, inhalers and more
 - Nickel in stainless steel for medical instruments and sterilisation equipment (e.g. cannula, hypodermic needles, IV needles and intubation equipment), as well as further up the supply chain in pharmaceutical processing and storage equipment for life-saving drugs.
 - Silver in medical devices including surgical tools, medical implants, electronic devices and for antimicrobial uses, as well as in-vitro devices such as scope and probes for endoscopic procedures
 - Platinum group metals in chemotherapy drugs, brachytherapy, pacemakers and catheters
 - Lead for radiation protection in x-ray machines and laboratories
- **Supply of materials and products to food supply chain**
 - Aluminium can and foil sheet for the packaging of food, drinks, pet food
- **Supply of materials and products to critical infrastructure**
 - Copper rod in energy cables, electric motors & generators for energy transformation/distribution
 - Lead, nickel and other metals in batteries for providing emergency power supply to hospitals
 - Zinc for galvanising steel in transportation, energy and public water infrastructure
 - Nickel in stainless steel for water treatment and water distribution systems
- **Essential function of electricity-intensive metals production in power supply system**
 - Electricity-intensive primary metals production plays an essential role in stabilising the power grid due to its stable base load and ability to defer load (e.g. aluminium and zinc producers across Europe provide demand response services to grid operators)
 - *In addition, metals smelters/refiners operate continuous production processes that cannot be shut down quickly without economic or physical damage (example: a closed aluminium smelter would require between €200 and 400 million to restart).*

Europe's non-ferrous metals industry will also be essential for supplying Europe's climate transition in the post-COVID-19 recovery period. Europe's demand for all metals is projected to increase significantly over the next three decades due to their use in batteries, clean mobility, wind turbines, solar panels and zero-energy buildings.

