

Consultation on revision of the EU Emission Trading System (EU ETS) Directive

Fields marked with * are mandatory.

Introduction

On 24 October 2014, the European Council agreed on the 2030 framework for climate and energy [1], including a binding domestic target for reducing greenhouse gas (GHG) emissions of at least 40% in 2030 as compared to 1990. To meet this target, the European Council agreed that the emissions in the EU Emission Trading System should be reduced, compared to 2005, by 43%. A reformed EU ETS remains the main instrument to achieve the emission reduction target. The cap will decline based on an annual linear reduction factor of 2.2% (instead of the current 1.74%) from 2021 onwards, to achieve the necessary emission reductions in the EU ETS. The European Council furthermore gave strategic guidance on several issues regarding the implementation of the emission reduction target, namely free allocation to industry, the establishment of a modernisation and an innovation fund, optional free allocation of allowances to modernise electricity generation in some Member States.

The strategic guidance given by European leaders on these elements will be translated into a legislative proposal to revise the EU ETS for the period post-2020. This constitutes an important part of the work on the achievement of a resilient Energy Union with a forward looking climate change policy, which has been identified as a key policy area in President Juncker's political guidelines for the new Commission.

The purpose of the present stakeholder consultation is to gather stakeholders' views on these elements. This consultation focuses on issues not yet addressed in the consultations recently conducted for the 2030 Impact Assessment[2], the Impact Assessment for the carbon leakage list for 2015-2019[3] and the consultation conducted on post-2020 carbon leakage provisions[4].

In order to take stock of the EU ETS (established by Directive 2003/87/EC) as a policy measure, this consultation also contains questions concerning the general evaluation of this policy measure. The questionnaire consists of 7 chapters. You are invited to answer questions on the chapters which are relevant to you.

0. Registration

0.1. What is your profile?*

- Business
- A small and medium enterprise
- Trade association representing businesses
- SME business organisation
- Government institution/regulatory authority
- Academic/research institution
- Non-governmental organisation
- Citizen
- Other

0.2. Please enter the name of your business/organisation/association etc.:*

EUROALLIAGES, the European association of ferro-alloys and silicon producers

0.3. Please enter your contact details (address, telephone, email):*

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0.4. If relevant, please state if the sector/industry you represent falls under the scope of the EU

ETS:*

- yes
- no
- not relevant

0.5. If relevant, please state what sector your represent:*

- Energy-intensive industry
- Energy sector
- Other

0.6. The results of this stakeholder consultation will be published unless stated otherwise. Can we include your replies in the publication?*

- yes
- no
- partially

0.7. Register ID number (if you/your organisation is registered in the Transparency register):

1915396551075

1. Free allocation and addressing the risk of carbon leakage

The European Council has concluded that free allocation to prevent the risk of carbon leakage should not expire as foreseen in the current legislation, but should continue also after 2020 as long as there are no comparable efforts to reduce emissions in other major economies.

Extensive stakeholder consultation was already carried out on the post-2020 carbon leakage provisions, as well as on aspects related to innovation support. The process included three full-day stakeholder meetings (June, July and September 2014) and a written consultation conducted for 12 weeks (8 May – 31 July, 2014). The written consultation covered 23 multiple choice questions with space for motivations, and a question allowing respondents to bring up any other issue they felt was important or insufficiently covered.

The documents and minutes of the meetings, as well as the submissions and the analysis thereof in the case of the written consultation, are available on the Commission website.

Information from the stakeholder meetings:

http://ec.europa.eu/clima/events/articles/0090_en.htm

http://ec.europa.eu/clima/events/articles/0095_en.htm

http://ec.europa.eu/clima/events/articles/0097_en.htm

Replies and summary of the written consultation:

http://ec.europa.eu/clima/consultations/articles/0023_en.htm

The results of the above mentioned public consultation are being taken into account in the preparation of the legislative proposal. In order to reduce the administrative burden for stakeholders and the Commission, the present consultation focuses on issues not already covered in this recently finalised public consultation. Respondents are nevertheless invited to add to the replies provided in the earlier consultations if deemed necessary in the light of the conclusions of the European Council in this area.

1.1 The European Council called for a periodic revision of benchmarks in line with technological progress. How could this be best achieved in your view and, in particular, which data could be used to this end? How frequently should benchmarks be updated, keeping in mind administrative feasibility?

4,500 character(s) maximum

The European ferro-alloys and silicon producers are responsible of a varied number of products. However, there is a limited number of installations per product. Therefore setting a benchmark based on the 10% best performers has shown impossible for our sector and due to the fact that our carbon emissions are process emissions, our products fall under the historical production fallback approach. Our carbon emissions have been reduced over the years and have almost reached the thermodynamic limits, meaning that we are at a stage where no further significant emissions abatement is feasible.

The ETS in general, and the benchmarks in particular, should recognise installations and sectors that have reduced or are still reducing GHG emissions, without penalizing early movers, new investments made, and low-carbon economic growth. Legislative stability and predictability are therefore needed to enable investments in low-carbon technologies.

In the current system, benchmarks are based on a stringent average (10% best performers). For the products which do not have benchmarks, an automatic reduction of the possible compensation is implemented. The cross-sectoral correction factor further reduces the compensation and does this at a faster pace than carbon and energy efficiency improvements. The current system therefore adds costs even for the most carbon efficient producers that have already reached carbon efficiency and greenhouse gas reduction targets by making investments. Such an approach discourages efficient investments and growth as it fails to effectively protect against carbon leakage. This is not a forward-looking climate policy.

An improvement of the current system would be the use of realistic benchmarks, i.e. feasible both from a technological and economical viewpoints. Benchmark levels and the associated so-called fallback approaches should reflect the penetration of a given carbon efficiency technology within EU industry sectors and be comparable to benchmarks in other schemes globally. Such benchmarks and fallback approaches would ensure predictability and would set a ground for investments more favorable than the one experienced today.

In any case, benchmark updates should cover a whole trading period and no revision should be allowed within trading periods. It is worth recalling that investment cycles in a sector such as ferro-alloys and silicon go beyond 20 years. The planning horizon before the start of a new trading period must be sufficient for the same reasons.

1.2 The European Council has defined guiding principles for the development of post-2020 free allocation rules which provide inter alia that "both direct and indirect costs will be taken into account, in line with the EU state aid rules" and that "the most efficient installations in these sectors should not face undue carbon costs leading to carbon leakage" while "incentives for industry to innovate will be fully preserved and administrative complexity will not be increased" and while "ensuring affordable energy prices". Do you have views how these principles should be reflected in the future free allocation rules?

4,500 character(s) maximum

As a matter of principle, the most efficient installations of each sector should not face any carbon costs, being it direct or indirect. Best practices should be encouraged, not punished.

Carbon costs currently prevent the industry from investing in low carbon technology, in research and development or simply to keep up in the global competition.

Carbon leakage measures for direct emissions must be kept into place in order to reduce the unlevel playing field which exists today with our competitors outside of Europe.

For the European ferro-alloys and silicon sector, which is an energy-intensive industry highly exposed to international competition, indirect carbon costs have a tremendous impact on operational costs and therefore on our global competitiveness. We concur with the European Council's conclusions stating that both direct and indirect costs must be taken into account. This necessity has also been recently recognized by the European Parliament in the framework of the discussions on the Market Stability Reserve.

Effective measures to mitigate indirect costs must be part of the EU ETS. The current State Aid system allows for partial compensation, never to the full extent of effectively incurred costs, and it takes place only in a limited number of Member States which can afford it. Starting from the EU legislation principle that distortions of competition in the internal market are forbidden, the EU State Aid rules call for a harmonized EU-wide indirect costs mitigation system. State Aid should only be allowed as far as a harmonized EU-wide system should fail.

Achieving affordable energy prices is a priority which has been recognized not only by the European Council, but also by the European Commission and the European Parliament. It is a fact that energy costs for industry have been increasing due to the impact of climate policy, although there are discussions on the extent of this impact, depending a.o. on the sectors concerned. It is clear that energy-intensive industries are the first ones to be hit by increasing energy costs and that to preserve their global competitiveness the cost gaps with their competitors must be duly considered and addressed.

The concept of undue costs deserves a clear definition. For EUROALLIAGES

these are the costs not faced by non-EU industry which lead EU industry to investment leakage and carbon leakage.

Achieving an international level playing field must also be a priority for the future European climate and energy policy. The COP process catalyses many hopes in the direction of an international agreement on climate. However to achieve a true level playing field, this agreement must contain clear binding commitments from all parties at a level equivalent to the EU pledge.

The incentives in favour of industrial innovation must not be wrongly considered as a penalty to the industry as is the case today. The industry can innovate if it has the funds to do so, not if it is simply driven out of the EU. Innovation has always come mainly from the industry and the EU climate and energy policy must preserve or even restore the possibility for the industry to deliver this service to the society.

1.3 Should free allocation be given from 2021 to 2030 to compensate those carbon costs which sectors pass through to customers? How could free allocation be best determined in order to avoid windfall profits?

4,500 character(s) maximum

The European ferro-alloys and silicon sector is fully exposed to international trade and cannot pass through the costs resulting from EU policy to its consumers.

Moreover, our sector is only part of the EU ETS since the third trading period and has not benefitted from any banked allowances, while being severely hit by the carbon cost passed through into electricity prices.

At the same time, the power sector does not lose its ability to transfer carbon costs onto its consumers. By way of consequence:

- The power sector should not be receiving free allocation.
- It must be considered which instruments/technologies can lead to a less carbon intensive power sector at the lowest cost. Here, additional steps must be taken to balance the effort sharing between ETS and non-ETS sectors and to design a more coherent and consistent EU energy and climate policy.
- As explained under question 1.2, the impact of the indirect emissions should be effectively mitigated within the EU ETS.

This inability to pass through carbon costs to our consumers has been recognized by the European Commission through the inclusion of the European ferro-alloys and silicon sector in the Guidelines on certain State aid measures in the context of the greenhouse gas emission allowance trading scheme post 2012.

The European ferro-alloys and silicon sector fully supports an international agreement on climate which would be translated into an equivalent carbon cost for its competitors around the world. However, as long as there is no such level playing field, the global competitiveness of the European industry will continue to be jeopardised.

1.4 Are there any complementary aspects you would like to add to the replies given to the previous written consultation in the light of the European Council conclusions?

4,500 character(s) maximum

The industry needs a clear political commitment for a review of the EU climate policy if the EU remains isolated with its ambitious climate policy and the associated high burden after 2020. In the medium- to long-term, an ambitious unilateral climate policy with an absolute cap and effective protection against carbon leakage are incompatible.

In the conclusions of its meeting in March 2014, the European Council stated that “industrial competitiveness concerns should be systematically mainstreamed across all EU policy areas and be part of impact assessments in view of getting a stronger industrial base for our economy”. Yet, neither the introduction of the MSR nor the revision of the EU ETS seem to take those concerns into account and the concept of “competitiveness” is not inscribed in the documents.

European climate and growth targets remain to be reconciled. To achieve a substantial decrease of global emissions, the EU needs to act as a role model that other regions will follow. This model includes a growing industry sector, providing jobs and revenues while at the same time decreasing emissions and delivering innovative technologies.

Decision-makers at European level should carefully examine how climate protection targets can be reached at least costs. A more coherent and consistent EU energy and climate policy must be designed, which must include sound and sufficient measures in favour of global industrial competitiveness. Additional steps must be taken to balance the effort sharing between ETS and non-ETS sectors.

2. Innovation fund

The European Council has concluded that 400 million allowances in 2021 to 2030 should be dedicated for setting up an innovation fund to support demonstration projects of innovative renewable energy technologies, carbon capture and storage (CCS) as well as low carbon innovation in industrial sectors. To make this fund operational, a legal basis has to be created in the EU ETS Directive while further implementation modalities can be set out in secondary legislation. The work can build on the experience with the existing "NER300" programme which made available 300 million allowances for CCS and innovative renewable energy technologies^[1].

With regard to establishing a legal basis for the innovation fund as part of the revision of the EU ETS Directive, the Commission seeks feedback on the following questions:

2.1 Do you see reasons to modify the existing modalities applied in the first two calls of the NER300? Are there any modalities governing the NER 300 programme which could be simplified in the design of the innovation fund? If you see the need for changes, please be specific what aspects you would like to see changed and why.

4,500 character(s) maximum

Auction revenues should not be used to supplement national budgets but be earmarked for carbon leakage measures and innovation purposes. The funding support from the future innovation fund should be allocated to the most cost-efficient technology developments.

More generally, it is critically important that the manufacturing industry, which in fact supports EU decarbonisation policy, benefits from the auction revenues to restore a certain global level playing field and to move to further emission reduction when possible. The European ferro-alloys and silicon sector is already operating with technologies which have reduced its emissions to a level close to the thermodynamic limits. Further significant emissions abatement, such as the one required by EU climate objectives, relies on potential breakthrough technologies.

Financial means must be available for investments in production capacity and innovation. Innovation centers are closely linked with production and therefore we need both measures to keep manufacturing clusters in Europe and to promote research and innovation.

It should be noted that innovation (at least partly) based on funding dependent on fluctuations in the carbon price presents serious flaws with regard to predictability.

2.2 Do you consider that for the extended scope of supporting low-carbon innovation in industrial sectors the modalities should be the same as for CCS and innovative renewable energy technologies or is certain tailoring needed, e.g. pre-defined amounts, specific selection criteria? If possible, please provide specific examples of tailored modalities.

4,500 character(s) maximum

The development of new technologies follows a pre-defined path (from development to deployment and commercialisation) where different types and levels of support are needed. Support is necessary at each stage in order to overcome the market barriers and failures specific to each stage.

Until now, the energy sector has benefitted from very important amounts of innovation funds in the form of RES-E support schemes in different Member States. These have opened the path to a low carbon power sector, whereas there is no such path prepared for other industrial ETS sectors although the emission reduction targets are and will be equally tough. On the contrary, the current legislation even hinders private innovation investments in industry by adding significant costs and providing an insecure investment climate.

2.3 Are there any complementary aspects regarding innovation funding you would like to add to the replies given to the previous written consultation in the light of the European Council conclusions?

4,500 character(s) maximum

The decarbonisation of European economy relies on technologies some of which still have to be invented and it is therefore vital for the achievement of EU climate policy goals to adequately support research and innovation.

However, the EU ETS has been designed as a tool to reduce emissions in the most cost-effective way and should not be considered as an innovation driver. Support schemes for industrial innovation should not be financed through the EU ETS. Instead, the new design of the EU ETS must focus on adequate carbon leakage provisions and the required volumes for free allocation must not be compromised by other aims.

The revenues from auctioning should be reinvested as support to the global competitiveness and to the emission reduction, where still possible, in the manufacturing industry.

3. Modernisation fund

The European Council has concluded that 2% of the total EU ETS allowances in 2021 to 2030 should be dedicated to address the particularly high investment needs for Member States with GDP per capita below 60% of the EU average. The aim is to improve energy efficiency and to modernise the energy systems of the benefitting Member States. The fund should be managed by the beneficiary Member States, with the involvement of the European Investment Bank (EIB) in the selection of projects. To make this fund operational, a legal basis has to be created (in the EU ETS Directive), while further implementation modalities can be set out in secondary legislation.

With regard to establishing a legal basis for the modernisation fund as part of the revision of the EU ETS Directive, the Commission seeks feedback on the following questions:

3.1 Implementation of the modernization fund requires a governance structure: What is the right balance between the responsibilities of eligible Member States, the EIB and other institutions to ensure an effective and transparent management?

4,500 character(s) maximum

3.2 Regarding the investments, what types of projects should be financed by the modernisation fund to ensure the attainment of its goals? Should certain types of projects be ineligible for support?

4,500 character(s) maximum

3.3 Should there be concrete criteria [e.g. cost-per-unit performance, clean energy produced, energy saved, etc.] guiding the selection of projects?

4,500 character(s) maximum

3.4 How do you see the interaction of the modernisation fund with other sources of funding available for the same type of projects, in particular under the optional free allocation for modernisation of electricity generation (see section 4 below)? Would accumulation rules be appropriate?

4,500 character(s) maximum

3.5 Do you have views how the assessment of the projects should be reflected in the forthcoming 2030 governance process (e.g. national climate programmes, and plans for renewable energy and energy efficiency)?

4,500 character(s) maximum

3.6 Should the level of funding be contingent on concrete performance criteria?

4,500 character(s) maximum

4. Free allocation to promote investments for modernising the energy sector

The conclusions of the European Council provide for the continuation after 2020 of the mechanism foreseen in Article 10c of the EU ETS Directive, which allows some Member States to opt to hand out free allowances to power plants in order to promote investments for modernising the energy sector. The current Article 10c modalities, including transparency, should be improved to promote investments modernising the energy sector, while avoiding distortions of the internal energy market.

With a view to reviewing and improving the current modalities as part of the revisions to the EU ETS Directive, the Commission seeks feedback on the following questions:

4.1 How can it be ensured that investments have an added value in terms of modernising the energy sector? Should there be common criteria for the selection of projects?

4,500 character(s) maximum

4.2 How do you see the interaction of the free allocation to energy sector with other sources of funding available for the same type of projects, e.g. EU co-financing that should be made available for the projects of common interest under the 2030 climate and energy framework? Would accumulation rules be appropriate?

4,500 character(s) maximum

4.3 Do you have any views how the assessment of the projects should be reflected in the forthcoming 2030 governance process (e.g. as regards improving transparency)?

4,500 character(s) maximum

4.4 The maximum amount of allowances handed out for free under this option is limited. Do you think eligible Member States should use the allowances for a period of time specified in advance (e.g. per year), or freely distribute them over the 2021-2030 period? (Please explain your motivation.)

4,500 character(s) maximum

4.5 Should there be priorities guiding the Member States in the selection of areas to be supported?

- yes
- no

4.6 How can improved transparency be ensured with regard to the selection and implementation of investments related to free allocation for modernisation of energy? In particular regarding the implementation of investments, should allowances be added to auctioning volumes after a certain time period has lapsed in case the investment is not carried out within the agreed timeframe?

4,500 character(s) maximum

5. SMEs / regulatory fees / other

In order to allow taking stock of the EU ETS aspects beyond those examined by the European Council, respondents are also invited to provide feedback on certain other questions.

The Commission ensures that better regulation principles govern all of the policy work, including that the specificities of small and medium sized enterprise (SMEs) are taken into due consideration. Member States can exclude certain small installations from the EU ETS in the current trading period (2013-2020) if taxation or other equivalent measures are in place that will cut their emissions. If such a possibility was to be reviewed, a legal basis would have to be created in the EU ETS Directive.

The accurate accounting of all emission allowances issued is assured by a single Union Registry with strong security measures. The operations were centralised in a single Registry operated by the Commission, following a revision of the ETS Directive in 2009. This has replaced Member States' national Registries. Despite the considerable resources from the EU budget required for maintaining the EU Registry, as does supporting work on auctioning, the Commission does not have the possibility to charge any fees. However, Member States administrators may still charge Registry fees to account holders administered by them. There are discrepancies in fees across different Member States.

5.1 Are there any EU ETS administrative requirements which you consider can be simplified? Do you see scope to reduce transaction costs, in particular for SMEs? If yes, please explain in detail.

4,500 character(s) maximum

Recurrent changes to the ETS in the last years have resulted in an increased administrative burden.

Generally speaking, the system from an operator's viewpoint is complex and costly, especially so when it is a company with limited workforce.

The EU ETS is also considered as complex by national authorities, leading to additional work for the European Commission in providing explanation and interpretation of the legislation.

The European ferro-alloys and silicon industry welcomes the vision of the Juncker Commission for a more efficient EU legislation. The multiplication of regulations that impact the European manufacturing industry and the administrative burden that ensues needs to be tackled. Elaborated systems such as the EU ETS must be consolidated and made predictable to help the operators.

More specifically, the accumulation of various reduction factors in the EU ETS should be avoided in the future.

5.2 Member States had the possibility to exclude small emitting installations from the EU ETS until 2020. Should this possibility be continued? If so, what should be the modalities for opt-out installations to contribute to emission reductions in a cost-effective and economically efficient manner? Should these be harmonised at EU level?

4,500 character(s) maximum

The exclusion of small emitting installations should continue in the future as a sound cost-efficient measure.

5.3 How do you rate the importance of a high level of security and user-friendliness of the Union Registry? Do you think the costs for providing these services should be covered via Registry fees?

4,500 character(s) maximum

**5.4 Do you consider discrepancies in Registry fees in different Member States justified?
Should Registry fees be aligned at EU level?**

4,500 character(s) maximum

5.5 Under the current EU ETS Directive, at least 50% of the revenues generated from the auctioning of allowances should be used by Member States for climate-related purposes. For the calendar year 2013 Member States have reported to have used or to plan to use 87 % on average to support domestic investments in climate and energy. Do you consider the current provisions regarding the use of the revenues adequate for financing climate action? If not, please explain why?

4,500 character(s) maximum

Since the revenues in question are generated by sectors covered by the EU ETS, this regulation should be accompanied with a sound policy in favour of industry, especially for energy-intensive sectors (provided that sufficient support is also provided to fight against carbon leakage for both direct and indirect emissions).

Today an important share of the revenues generated from the auctioning of allowances is used by Member States to subsidise sectors that are not covered by the EU ETS. There should be no transfer of financial resources from the ETS sectors to other parts of the economy.

Furthermore, policy-makers must ensure that the decarbonisation cost will not be raised in order to increase revenues.

6. General evaluation

6.1 How well do the objectives of the EU ETS Directive correspond to the EU climate policy objectives?

How well is the EU ETS Directive adapted to subsequent technological or scientific changes?

4,500 character(s) maximum

EU climate policy is looking forward to the establishment of a global emission reduction policy based on putting a cost on carbon. It must therefore duly take into account the situation in other regions of the world, especially since the EU share in greenhouse gas emissions at global scale is predicted to be around only 6% in 2020.

Until an effective international agreement with equivalent commitments from all parties becomes operational, the EU needs to ensure that the global competitiveness of its manufacturing industry is respected. Carbon leakage measures are intended to act for a reduction of global emissions; they should therefore be kept in place and set at an adequate level to truly mitigate both direct and indirect emissions for EU industry.

Technological innovation is needed to achieve GHG targets. Therefore the measures to fight against carbon leakage must ensure an investment-friendly environment in Europe. The EU ETS must be made growth-friendly and not limit industrial potential. In this framework, the sectors falling under fallback benchmark approaches should be subject to a technologically feasible emission reduction path.

6.2 What are the strengths and weaknesses of the EU ETS Directive? To what extent has the EU ETS Directive been successful in achieving its objectives to promote emission reductions in a cost-effective manner compared to alternatives, e.g. regulatory standards, taxation?

4,500 character(s) maximum

The European ferro-alloys and silicon sector supports the EU ETS as a central instrument to reduce greenhouse gas emissions in Europe.

It is the first such system to have been set up in the world and as such it still needs improvement. While other countries have learned from the European experience and are considering somehow different measures for their own emission trading schemes, it is EU's turn to duly take into account and act on the flaws of its own system.

The EU ETS design is strong in the acknowledgment of the need to shield European industry against the risk of carbon leakage. As long as a true global level playing field has not been achieved, sufficient protection against carbon leakage for both direct and indirect emissions must be ensured:

- Today the protection against carbon leakage is not sufficient. Best performers still suffer from costs resulting from the European climate policy while the latter should rather reward good practices. The most efficient installations in every sector should not bear any additional costs resulting from the EU ETS.

- Furthermore, the mitigation of indirect costs is inefficient and insufficient. A harmonized EU-wide system to fully compensate energy-intensive industries for their indirect costs stemming from the EU ETS should be included.

The decarbonisation of the European economy is to a large extent supported by its industry:

- The European climate policy must be accompanied by a sound industrial policy which will allow the industry to restore its global competitiveness, to deliver innovation and to grow in Europe.

- The development of low carbon technologies cannot rely solely on the carbon price. Generally speaking, too many expectations have been placed into the EU ETS; this position should be revised especially with regard to the financing of low carbon technologies.

Focus should be given to innovation and growth. Restrictions on production and growth and an unattractive investment framework hinder the necessary innovation to further reduce greenhouse gas emissions. The EU should aim at providing a positive and stable investment climate and at stimulating innovation in order to attract investments in new, more efficient and cleaner installations.

Predictability is a crucial aspect for the EU ETS. Ad hoc interventions on the carbon market, such as the backloading and MSR, should be avoided since they further distort the system (e.g. the carbon leakage measures are not revised accordingly). The EU ETS should be considered as a whole when modifications of the legislation are being considered.

6.3 To what extent are the costs resulting from the implementation of the EU ETS Directive proportionate to the results/benefits that have been achieved, including secondary impacts on financing/support mechanisms for low carbon technologies, administrative cost, employment impacts etc.? If there are significant differences in costs (or benefits) between Member States, what is causing them?

4,500 character(s) maximum

Uncertainty caused by (i) changing EU ETS rules within trading periods and (ii) incoherent climate and energy policies has directly affected investments and thereby competitiveness and employment in the EU.

The EU ETS has also resulted in indirect costs for energy-intensive industries such as the ferro-alloys and silicon sector which must be duly taken into account in the future.

The ad hoc interventions in the carbon market (backloading, MSR) will have an impact on the carbon price which should be assessed and encompassed in the revised system.

Last but not least, while investment leakage is already there, the risk of carbon leakage may materialize in the future. This factor must be taken into account as well for the improvement of the current scheme.

6.4 How well does the EU ETS Directive fit with other relevant EU legislation?

4,500 character(s) maximum

The EU climate, environment and energy policy is trying to achieve several goals at the same time which are overlapping. The current EU ETS Directive in combination with other energy and climate policies (Energy Efficiency Directive, Renewable Energy Directive, IED, air quality, waste management, REACH, etc.) is significantly increasing costs for industry. Instead of several energy and climate policies with associated obligations and costs, a single and realistic energy and climate ambition taking into account a global level playing field should be pursued. This approach must be complemented by an equally-ranked target for industrial growth.

Instruments such as energy efficiency and renewable energy policies can support this objective when applied in a smart way that avoids counterproductive effects. Experience from the 2020 framework has shown that several different targets can interact in ways that reduce the framework's overall effectiveness. This is the case of Guidance 8 to the EU ETS Directive which has a negative impact both on energy efficiency and on greenhouse gas emissions reduction since it destroys investment cases for energy recovery projects. EUROALLIAGES believes that this document has been wrongly drafted and is prepared to provide explanation and a proposal for this specific issue.

To achieve further emission reductions cost-efficiently, the effort sharing between ETS and non-ETS sectors should be in line with the findings of the impact assessment for the Energy Efficiency Directive: the remaining economic potential is much larger in other sectors (building, power, transport) than in industry.

The EU ETS must also take into account the objective to bring energy prices in the EU down and in line with those in competing regions.

Finally, energy taxation should be directed only to sectors outside of the EU ETS.

6.5 What is the EU value-added of the EU ETS Directive? To what extent could the changes brought by the EU ETS Directive have been achieved by national measures only?

4,500 character(s) maximum

Climate change is a global issue. Hence, substantial emission reductions on a global scale are necessary. In this context, addressing climate change at the European level appears as the smartest solution.

Achieving a genuine global level playing field should be the goal of European policy. Until then, harmonized EU-wide measures to protect European industry against carbon leakage for both direct and indirect emissions are necessary.

6.6 Do you have any other comment on the revision of the EU ETS Directive that you would like to share?

4,500 character(s) maximum

Generally speaking, the future EU ETS must take a realistic approach and consider the abatement potential sector by sector.

It should also ensure that the industry has access to innovation funding to further drive Europe on the path to greenhouse gas emissions reduction.

For the success of the EU ETS it is necessary to ensure that the industry, which supports the decarbonisation of Europe, is duly protected against carbon leakage for both direct and indirect emissions and is allowed to grow in Europe.

Europe has been the first region in the world to put in place an ETS. It must now improve the system to continue to be a positive model to be followed at global level.

Contact

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