



## PRESS RELEASE ON THE ECORYS CARBON LEAKAGE EVIDENCE PROJECT

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EuroAlliages is the European ferro-alloys and silicon producers association, representing about 95% of the sector in the EEA. Its members provide major industries with essential base materials: they supply the iron and steel industries, while representing the most efficient and economical way of introducing alloying elements into iron and steel melts in order to produce the required steel grades. It also provides to the electronic, chemical and solar industries with essential base materials for their products. All processes are energy-intensive.

DG CLIMA recently published a report which covers the ferro-alloys production in Europe: the Ecorys Carbon Leakage Evidence Project<sup>1</sup>. This project is looking backwards in order to find if there is factual evidence for carbon leakage in the past two ETS periods. Its purpose is to feed the European Commission's reflection on future reform of the EU ETS, especially looking to the 2030 framework. Following the statistical classification of economic activities, ferro-alloys have been examined by Ecorys along with basic iron and steel.

The study concludes that there is no evidence for carbon leakage during the first two EU ETS phases (2005-2012). This conclusion is flawed for the European ferro-alloys sector since it was not covered by the EU ETS during this period. Therefore **the impact of the EU ETS on the ferro-alloys sector with regard to direct emissions can simply not be determined.**

The European Commission's reflection on the future of the EU ETS - and especially on the carbon leakage risk component of EU climate policy - must take into account the new status of the ferro-alloys and silicon sector. With the inclusion of this industry in the EU ETS starting from 2013, the situation with regard to carbon leakage is expected to change.

On the one hand, **the direct CO2 cost**, inevitably reflected in the product price, **will make global competition a lot harder**, and this for an industrial sector which is already suffering from fierce and often unfair competition from third countries.

On the other hand, the European ferro-alloys producers consider that the long term approach, especially related to the investment cycle, is the relevant one. Global evaluation has to take into account the investment cycle timeline. Leakage starts when investments in Europe are stopped and not only when the industry is leaving Europe. The absence of significant investment in Europe in the development and replacement of production capacity is especially notable. **The investment leakage that has occurred in the last years has come as a preliminary step to future carbon leakage.**

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<sup>1</sup> The factsheets to the study as published by the European Commission can be found at the following address:  
[http://ec.europa.eu/clima/policies/ets/cap/leakage/docs/cl\\_evidence\\_factsheets\\_en.pdf](http://ec.europa.eu/clima/policies/ets/cap/leakage/docs/cl_evidence_factsheets_en.pdf)



Moreover, uncertainty regarding the EU climate policy framework, especially the EU ETS reform and measures to increase the carbon price also affect investment decisions.

With regard to indirect emissions, electricity cost indeed is a crucial variable cost and the study's finding that it represents a major relocation or closure driver is confirmed by European ferro-alloys producers, who have already been exposed to the increase of energy prices a.o. due to carbon cost.

The European ferro-alloys and silicon producers support **the EU ETS as the backbone of EU climate policy** but consider that this instrument **must be reformed to make it carbon leakage proof**. All carbon leakage mitigation measures should remain in place until a global level playing field, based on equivalent commitments, is achieved. Should future EU climate policy fail to correctly address the carbon leakage issue, it will undermine the very existence of a performing industry and of value chains which are vital to the production of essential goods in Europe and are an irreplaceable source of growth and jobs.

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