Tiered approach impacts seriously the majority of energy-intensive industries in the EU and their associated value chains.

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We, the signatories of this paper, energy-intensive sectors representing about 2 million jobs in the EU and comprising many SME's, are under direct impact of the EU ETS and are deemed exposed to carbon, investment and employment leakage.

We urge Members of the European Parliament to acknowledge the importance of our sectors for the EU economy, in particular for European jobs, and all their economic value chains by <u>rejecting any "tiered approach" to free allocation and voting against it.</u>

We strongly oppose any "tiered approach[1]" and continue to advocate for full (100%) free allocation up to emissions efficiency benchmark levels for all sectors.

We maintain that:

- **The "tiered approach" would reserve free allowances for some sectors at the expense of others.** It would go against the principle set in the October European Council Conclusions that best performing companies in the ETS carbon leakage sectors should not bear additional carbon costs. Fairness should be a key principle of policy making. Jobs in one sector are neither more nor less important than those in other sectors.
- **The proposed tiering has no economic logic.** It is based on flawed assumptions that the European industrial sectors could pass on costs without losing market shares and lacks any cost comparison between a given European and a non-European sector.
- **Nor does it have proven environmental logic.** It would not deliver decarbonisation through investment and innovation but rather drag those investments outside Europe. In fact, the tiered approach punishes a sector investing in carbon emission reductions by giving a lower protection against the risk of carbon leakage as a direct consequence of these investments.

[1] In fact, there is no single approach on tiering, as there is no sound basis to build a tiered approach in the EU ETS.

- **Moreover, it could well prove to have been unnecessary to prevent a Cross Sectoral Correction factor (CSCF).** Many analysts' reports, including the Commission's Impact Assessment, predict that there will be sufficient allowances available to ensure full free allocation at the benchmark levels and there is no grounds for referring to discriminatory instruments.

Our industries have made several alternative proposals to tiering, which include a lower auctioning share (52% instead of 57%), the application of a dynamic allocation and a fully flexible reserve for growth that would deliver full and effective carbon leakage protection without the need for arbitrary discrimination.

In conclusion, we ask you to create a framework that gives all sectors an equal opportunity to thrive in Europe and not to pick and choose which sectors stay in Europe.

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Signatories:

1. Cefic - European Chemical Industry Council
2. Cembureau – European Cement Association
3. Cepi – Confederation of European Paper Industries
4. Cerame-Unie - European Ceramic Industry Association
5. Epmf – European Precious Metals Federation
6. European Copper Institute
7. Esga – European Special Glass Association
8. Esta – European Steel Tube Association
9. EuroAlliages - Association of European ferro-Alloy producers
10. Eurogypsum - Gypsum Industry
11. Eula – European Lime Association
12. Exca - European Expanded Clay Association
13. Feve – The European Container Glass Association
14. Association of the world's Primary Nickel Producers
15. International Zinc Association