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## **EXCA's contribution to the European Commission's consultation on structural options for the EU Emission Trading System**

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The European Commission has, following its report "The state of the European carbon market in 2012", launched a public consultation on structural options to strengthen the EU Emission Trading System (EU ETS).

The European Expanded Clay Association (EXCA) appreciates this opportunity to express its views on the 2012 carbon market report.

In summary, EXCA calls upon the Commission to:

- Ensure legal stability, certainty and predictability,
- Refrain from putting forward short-term proposals to change the EU ETS 2013-2020, and
- Engage in a transparent and comprehensive dialogue on a post 2020 framework which fully integrates climate, energy and industrial policies.

In EXCA's view, the 2012 carbon market report (brought forward one year) is the first of many contributions to the dialogue on options to structurally reform the EU ETS post 2020. The 2012 report is limited to the supply-demand imbalance due to the economic crisis and the impact on the carbon price. The proposed options are no real structural options and generally limited to the short-term carbon price issue.

EXCA is opposed to any changes to the EU ETS 2013-2020 which would further undermine the legal certainty and predictability and damage the competitiveness of the European expanded clay industry. Any further increase of the EU's unilateral 20% reduction target must remain conditional and be made only if the conditions are fulfilled. Instead of putting forward any short-term proposal to change the EU ETS 2013-2020, EXCA calls upon the Commission to engage in transparent, thorough and comprehensive dialogue on a consistent post 2020 framework which fully integrates climate, energy and industrial policies.

EXCA supports the EU ETS and its objective to deliver an agreed emission reduction target in a cost-effective way. The EU ETS is functioning as envisaged and will deliver a 21% reduction by 2020. While the European expanded clay industry is committed to fairly contributing to the targets, the EU ETS has significant impact on the competitiveness of the industry which remains exposed to risk of carbon leakage.

For the 2013-2020 trading period significant changes have already been made to strengthen the EU ETS. Although most of the changes are in place, some work remains. The EU wide cap, the linear reduction factor, and the stringent benchmarks for the free allocation have been fixed, ensuring that the EU ETS will deliver its reduction target. However, one month into the trading period, the free allocation to industries like the expanded clay industry exposed to carbon leakage, is still not known. 2014 brings even more uncertainty with the proposed review of the carbon leakage list.

The European expanded clay industry, as all industries with long term investment cycles, needs legal certainty and predictability to make new investments in Europe. This is especially relevant at a time when the EU is struggling to find a way out of the crisis. Investments that, according to the recent Commission Communication "A stronger European Industry for Growth and Economic Recovery", are urgently needed to stimulate economic recovery.

## About EXCA and the expanded clay industry

EXCA (European Expanded Clay Association), founded in 2007, represents the interests of the European producers of expanded clay. Today, 14 companies operating some 20 plants in Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, Germany, Italy, Norway, Poland, Portugal, Sweden and United Kingdom are members. Through its members, EXCA represents more than 90% of the production in Europe.

Expanded clay is a lightweight aggregate. It is various sized granules, each with a hard ceramic shell that surrounds a honeycomb core. With its unique combination of low density and high strength, expanded clay is suitable for a wide range of applications in the construction industry. Its properties and characteristics makes it a high quality, efficient and competitive construction material. E.g. the low weight reduces the transport work and consequently the CO<sub>2</sub> emission from transportation. The thermal insulation properties improve the buildings energy performance and contribute to reduce the CO<sub>2</sub> emission related to heating and cooling of buildings.

Expanded clay is produced from natural clay. The clay is extracted, pre-treated and introduced to rotary kilns. The kilns are heated with fuel to temperatures up to 1150 °C. As the clay is heated up, the iron oxide and the organic content in the clay react, and form the gas that expands the clay. This expansion process transforms 1 m<sup>3</sup> of clay into up to 5 m<sup>3</sup> expanded clay.