



European Steel Tube Association
Association Européenne du Tube d'Acier

Subject: Public consultation in preparation of an analytical report on the impact of the international climate negotiations on the situation of energy intensive sectors.

1. In your opinion, how have key indicators of the risk of carbon leakage (such as exposure to international trade, carbon prices etc.) for the EU energy intensive industry changed since the adoption of the climate change and energy package implementing the EU's unilateral 20% emission reduction target at the end of 2008?

For our sector we do not consider that the possible evolution, if any, of the key indicator can lead to a change of the risk of carbon leakage. The seamless pipe mills, as only subsector of the pipe sector, entering the Emission Trading System as of 2013 has a trade exposure of more than 70% and even if reduced will not fall under the threshold of 30%. However we consider that the directive was fixing the data to be checked and the conditions to be met in order for the Industry to be able to plan long term investments. A possible revision of the indicators should not be subject to short term consideration and only come into discussion under exceptional circumstances. The crisis we have gone through does not give any evidence of the future after completion of the recovery.

2. Do you think that the outcome of Copenhagen, including the Copenhagen Accord and its pledges by relevant competitors of European energy-intensive industry, will translate into additional greenhouse gas emission reductions sufficient to review the list of sectors deemed to be exposed to a significant risk of carbon leakage? If so, how and why?

The criteria adopted to define the list of sectors at risk of carbon leakage have been fixed and should not be subject to redefinition due to the outcome of Copenhagen. As mentioned in the first question, our industry needs long term views or investment process will be blocked. Copenhagen has also not given as a result a global binding commitment to extent the reduction of GHG emissions justifying any other approach as the one started under the EU ETS directive which is already the most stringent.

3. In your view, what would be a compelling new general economic or other factor which would require a change of the level of free allocation to sectors deemed to be exposed to a significant risk of carbon leakage?

Only a global binding agreement would justify reinvestigating the level of free allocation to sectors deemed to be exposed to a significant risk of carbon leakage.

4. Do you consider free allocation of allowances as sufficient measure to address the risk of carbon leakage, or do you see a need for alternative or additional measures?

Free allocation is one essential part of the system but could be completed with possible access to privileged tax or financing conditions in order to accelerate possible investments for conversion of technologies when available. Another measure is the compensation for indirect cost already planned in the directive for high electricity intensive installation for which we await urgently the conditions of accessibility. Border measures should also be taken in order to compensate competition distortions with other countries due to GHG emission more stringent regulation.