In support of the position of CEPI - CONFEDERATION OF EUROPEAN PAPER INDUSTRIES , the Royal Netherlands' Paper and Board Association likes to underline the need to bring a structural solution to EU's competitive position as part of the structural ETS review process. In more detail;

- Start the ETS review from the perspective of competitiveness and industrial policy. The ETS has become a general issue for competitiveness. The additional costs per se have an impact when there are no constraints on operators in other countries, being more or less carbon intensive does not matter. ETS should prevent investment leakage not only carbon leakage. The definition of loss of market share to less carbon intensive installations needs to be changed.

- On this basis, rethink the entire policy package, not only the EU ETS, cleaning up the overlap between the many tools in place now.

- Implement structural changes after 2020, and only once. Investments are hampered by too many changes. To give investment certainty there should be no further changes to the system that are implemented before 2020. 2013 already sees a planned massive overhaul of the EU ETS with new allocation rules. 2014 already has uncertainty with the proposed re-evaluation of free allocation to the industry (the carbon leakage list). The back-loading proposal changes the rules again, announcing even more changes ahead. Regulatory uncertainty becomes a barrier to investments in the EU.

- Make clean divisions between ETS and other legislation and avoid overlap. There is a special reference linking the ETS directive with the IED. This shall be changed – no special reference shall be made to energy efficiency measures in IED permits and BREFS when the installations are also under the EU ETS.

- Break the link between electricity generators and industrial installations inside the ETS. The link between the share of industry and electricity generators, via the linear reduction factor, needs to be broken – change is needed. Structural solutions to the ETS directive are only possible when Article 10a5 is removed. As long as the industry cap changes with the linear reduction factor and the link between power sector and industry sector is not broken (by removing this article), structural solutions accommodating both sectors are not possible. This will result in a system where the carbon price is set by the shortage in the power sector, but in a much more clear way than today.

- Remove the C-factor, and only have a linear reduction factor. When allocations have taken place based on the benchmarks and historic production there shall by principle NOT be a C-factor. Article 10a5 should be removed. This will bring fewer credits to auctioning.

- Not change the linear factor. The EU can only change the linear reduction factor when either there is a global agreement or a major technological breakthrough is achieved.

- Limit changes, also to the carbon leakage list. There shall be a Carbon leakage list review only once per period, before the start. Article 10a13 shall therefore be changed. Every 5 years creates a huge uncertainty for investments.

- Neither backloading nor set aside credits. Set aside destroys economic value. The EU Commission proposals for a structural set aside of EUA, following the temporary backloading, are an unnecessary destruction of economic value and growth potential. If decided to set aside allowances for future use, one could look at ways of securing credits in a permanent buffer, which allows for flexibility, and use them as a tool for both future growth and innovation funding.

- Use the revenues from the ETS to help drive innovation. All auctioning and unused new entrant reserve credits shall be spent on development of breakthrough technologies for the sectors covered by the EU ETS and on providing support to enable these sectors to cope with the challenges of a low carbon economy while maintaining their international competitiveness.

- Improve the position of industrial CHP. The ETS directive when decided upon purposely made no distinction in electricity produced and used on industrial sites and market electricity produced by power companies. The fact that there is no free allocation to any electricity production has devastating impacts on industrial CHP.

The Royal Netherlands' Paper and Board Association, represents the paper and board producing companies in the Netherlands. We are founded in 1904. Our main objective is to represent the interests of our members. The Royal Netherlands' Paper and Board Association supports the paper and board industry in Netherlands in their goal of achieving innovative concepts and products. By working together in the sector and in the whole value chain we are actively striving for sustainable innovation. Contributing to material-/energy efficiency and carbon neutrality for both customers and consumers. In 2004 the Netherlands Paper and Board Association launched the energy transition for the paper production chain. The goal of energy transition for the paper production chain is halving energy consumption per end product through the whole value chain in 2020.

Royal VNP - Royal Netherlands' Paper and Board Association

PO Box 731

NL-2130 AS Hoofddorp

info@vnp-online.nl

www.vnp-online.nl