MCCG

Manufacturers' Climate Change Group

Manufacturers Climate Change Group – Common Requirements for Post 2020 EU ETS

About the Manufacturers Climate Change Group (MCCG)

The MCCG represents key UK manufacturing sectors affected by the EU Emissions Trading Scheme and other Climate Change instruments, and comprises: Aluminium, Asphalt, Cement, Ceramics, Chemicals, Food and Drink, Foundries, Glass, Gypsum, Lime, Metalforming, Mineral Wool, Motor Manufacturers, Non Ferrous Alliance, Paper, Quarry Products and Steel. Collectively our members employ approximately two million people with an annual turnover totalling more than £200 billion. Membership is open to any manufacturing organisation.

Common requirements for a reformed EU ETS

- The fundamental purpose of the EU ETS must remain that of delivering emissions reductions at least cost. It should not be a means of delivering a pre-determined carbon price to drive investment in a pre-determined list of technologies or as a means to bolster Government revenue
- Judged against its original objective of delivering emissions reductions at the lowest cost, the EU ETS can be consider to be functioning correctly
- EU industrial growth policy should be integral to EU ETS Phase IV design
- Increasing the target trajectory for EU ETS must only be made in conjunction with a clear vision on how industrial sectors will meet tougher targets and only once competing countries have committed to comparable effort
- Any international agreement must be robust with an equalised carbon cost before it results in changes to EU ETS targets or free allocation
- Adequate protection should be provided for EU ETS participants who are vulnerable to carbon leakage against globally unequal carbon pricing
- Free allocation is the preferred method of protection
- Free allocation for carbon leakage sectors should be based on actual production rather historic
- Free allocation should not be undermined by reductions from mechanisms such as the cross sectoral correction factor (CSCF). Allocation must be 100% of the benchmark

- The benchmarking process introduced for Phase III is complex and deficient in many areas; this should be reviewed and revised for Phase IV

- Operators that are small emitters should be allowed to voluntarily exclude themselves from ETS

- Small sources must be removed from ETS

- Compensation must be given for the indirect costs of EU ETS either through compensation or free allocation of allowances. Sectors eligible for compensation should be reviewed

- Greater support is needed in decarbonising manufacturing particularly with regards to those sectors with process emissions. Revenue from EU ETS auctions should be used to do more to improve innovation funding in low carbon manufacturing

- EU ETS should be improved to encourage efficient new entrants and rationalisation of inefficient operations. New entrants should have greater certainty regarding free allocation from any New Entrant Reserve

- EU ETS should only be judged as a part of the industry contribution to tackle climate change. Improved recognition of supply chain, life cycle and whole life benefits of manufactured goods is needed

- EU ETS emissions reduction should be placed in context of the increasingly upward trend of consumption based emissions

- The EUA price should not be supplemented or enhanced by member state carbon top up costs e.g. carbon price support

- The introduction of a Market Stability Reserve (MSR) must be done with caution and in conjunction with other necessary reforms to the system of free allocation. A MSR should not be used to adjust for over performance caused through decarbonisation measures, in short over performance should not be punished by artificially increasing the carbon price

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