

**Cerame-Unie's response to the European Commission's consultation
on the review of the auction time profile for the EU Emissions Trading System**

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The European ceramic industry is highly committed to fairly contributing to the long term EU climate and energy targets. In order to minimise the environmental impact of clay products throughout all their life cycle, the industry has already made significant investments in sustainable production and energy efficient technologies over the last decades, including heat recovery, co-generation and fuel substitution from coal to natural gas. The European ceramic industry is largely composed of SMEs, which represent around 10% of the installations under the European Emissions Trading Scheme (ETS), but less than 1% of the emissions. Against this background, Cerame-Unie, the European ceramic industry association, would like to contribute with the following remarks to the European Commission's consultation on the review of the auction time profile for the EU Emissions Trading System:

- **Investment decisions require a predictable regulatory framework:** as a capital intensive sector, the European ceramic industry has long investment cycles. Investments decisions have been made on the basis of the available information on the third trading period. This need of legal certainty is fully taken into account in the spirit of the ETS Directive, as the text establishes that the major elements of the third trading period (i.e. total cap, linear factor, allocation methodologies) should be set before 2013. Similarly, the provisions on the auctioning timetable (Art.9 and Art. 10.4) clearly define the amount to be auctioned every year and clarify that this should be conducted in an *"open, transparent harmonised and non-discriminatory manner"*. According to the proposed amendment to the EU ETS Directive, *"the Commission shall, where appropriate, adapt the timetable for each period so as to ensure an orderly functioning of the market"*. Such an addition would significantly jeopardize the certainty and predictability of the legal framework, because it would entail the possibility for European institutions to modify the auctioning timetable at any time during the trading period on the basis of an unclear mandate, since there is no clear definition of *"orderly functioning of the market"*. This would also affect the overall investors' confidence in the market-based functioning of the EU ETS.

- **The cost-efficiency of the EU ETS must be secured:** the objective of the EU ETS is to deliver a certain emission reduction target in the most cost-efficient way. The current crisis has substantially affected the financial capacity of companies. Therefore, it is crucial that emission reductions are affordable. The proposal of the European Commission openly aims at affecting the market-based equilibrium between demand and supply. By definition, such an intervention interferes with the price setting mechanism and has an impact on the cost-efficiency of the system. This needs a proper impact assessment analysing the consequences both at macroeconomic and sectorial level.

➤ **Structural solutions at international level remain the best option:** since climate change is a world-wide challenge, an agreement at international level remains the most appropriate solution to address it and to ensure a global playing field. The 2020 targets set in the Climate and Energy Package put the EU in the leading position in the fight to climate change. The European industry is responsibly contributing to the achievement of those challenging targets and as of next year will receive free allocation on the basis of ambitious benchmarks set at the level of the best 10% performing installations. However, any further unilateral action modifying the 2020 regulatory framework increases the risk of carbon and job leakage. Therefore, the EU needs to focus on the post-2020 climate and energy policy. This must be done with a bottom-up approach which takes into account on one side the technical feasibility and economic cost-efficiency of further emission reductions and on the other side the level of commitment of third countries. The ultimate goal of the EU climate policy must remain an international legally binding agreement with a comparable burden for the industry based in the major competing partners, such as the BRICs, Mexico, Arab Emirates, Egypt and South-East Asian countries.

The European Ceramic Industry covers a wide range of products including abrasives, brick & roof tiles, clay pipes, wall & floor tiles, refractory products, sanitary ware, table & decorative ware, technical ceramics... It accounts for more than 200.000 direct employments and a turnover of € 28 billion within the EU.

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