

Summary of consultation responses on the analytical report assessing the situation of energy-intensive sectors in the light of the outcome of international negotiations

55 contributions were received, five of which were confidential. The results of the consultation confirmed the conclusion that although the outcome of Copenhagen is a significant step forward, the situation of the energy-intensive industry has not changed substantially in the light of international negotiations. A number of stakeholders therefore oppose a review of the list of sectors deemed to be exposed to a significant risk of carbon leakage. However, some stakeholders asked to use the latest research for a new carbon leakage assessment using different criteria to those set in the Emissions Trading System (ETS) Directive. Some claim that the risk of carbon leakage does not appear to be dramatic or that as emissions are lower due to the economic crisis, the overall costs will be lower than projected. However, others pointed out that these lower emissions are also associated with lower economic activity. Some stakeholders highlighted that new information should be taken into account at the time of the revision of the list in 2014, including the level of benchmarks.

Some stakeholders expressed the opinion that only an international agreement with equivalent emission reductions and that is legally binding would be a compelling new factor that would require a change of the level of free allocation. But also a number of other reasons were proposed by some stakeholders to revise this level. Notably some stakeholders propose to the level of free allocation if there was evidence that (sub)sectors have the capacity to pass on the costs of CO₂ to prices and thus make windfall profits, similar to those identified in the electricity sector.

Most stakeholders confirmed that that the measures included in the Directive, i.e. free allocation for direct emissions and state aid for additional costs passed through in electricity prices, should be the main methods to address the risk of carbon leakage in the sectors identified to be at risk. Some added that free allocation will prevent carbon leakage only if the benchmarks are set at a technically achievable level. In contrast, others mentioned that free allocation at the scale currently envisaged was not necessary to avoid carbon leakage.

Some stakeholders expressed the opinion that if other countries do not commit to reducing GHG emissions, the EU should consider as a last resort border adjustment measures on products from these countries. However, others believe that border measures could cause negative effects in other areas, risk retaliatory action by countries outside the EU and turn out to be an overly complicated approach.

As regards additional measures to address carbon leakage, the results of the consultation indicated that substantial boost in financial support for R&D, pilot and demonstration projects for carbon- and energy-efficient technologies in energy-intensive industries in Europe would be necessary.

Some stakeholders from the industry highlighted that the access to flexible mechanisms (Clean Development Mechanism – CDM and Joint Implementation - JI) must be improved, while other stakeholders believe that use of international credits in industrial projects potentially distorts competition and increase the risk of carbon leakage. While manufacturers in the EU are subject to a cap, manufacturers of potential competing products are able to generate emissions reductions credits for sale into the EU ETS via the CDM. Therefore, they recommend to fully restrict the use of CDM projects which distort competition.

Overall, broad stakeholder reactions appear to indicate there is no need to change the current approach to address the risk of carbon leakage in the light of the international negotiations.

However, some argue there is the need to become stricter as regards the assessment criteria and measures foreseen, also taking into account the latest information and research. In contrast, others stress the need for additional, complementary measures for avoiding the risk of carbon leakage.

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