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ID 45269965773-87

Officer
Göran Bäckblom

Copy to

Re: Consultation on review of the auction time profile for the EU Emissions Trading System

In response to the open consultation, please find the comments attached from **Luossavaara-Kiirunavaara AB (ID 45269965773-87)**

Kind regards
LUOSSAVAARA-KIIRUNAVAARA AB (PUBL)

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Corporate Advisor Technology & Business Development

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Consultation on review of the auction time profile for the EU Emissions Trading System

LKAB strongly supports the three mutually reinforcing priorities of the Europe 2020 strategy: smart, sustainable and inclusive growth.

We believe that sustainable growth through a resource efficient, green and competitive economy will only be achieved through a competitive European industry. From this perspective, any considerations to change the EU ETS shall fulfil the criteria set out in the flagship initiative on "*Industrial policy for a globalisation era*" with a specific focus on the "*competitiveness proofing*" as detailed in the Commission staff working document on "*Operational Guidance for assessing impacts on sectoral competitiveness*". This approach has been endorsed in the Conclusions of the December 2011 Council meeting highlighting the importance for the competitiveness of European enterprises to become a core concern for all legislative initiatives of the EU. Along the same lines, the Parliament endorsed the concepts of competitiveness-proofing as well as the ex-post evaluation of the European legislation (in its Report on competitiveness and business opportunities 2012/2042(INI)).

Such proofing shall be based on a thorough assessment of the changes proposed on the European industry (i.e. the iron ore sector in our case), as well as adhere to the framework conditions for a sustainable supply and management of raw materials in line with the Raw Material Initiative (e.g. Communication on "*Tackling the challenges in commodity markets and on raw materials*" COM(2011) 25).

LKAB believes that any Commission intervention in the EU ETS market should be preceded by an assessment of its possible impacts on the European industry and by the possibility to have a true in-depth debate on the ways and means to meet EU's 2020 targets while keeping and encouraging the development of a European competitive industry for smart, sustainable and inclusive growth.

The assessment of proposals concerning the EU ETS review should include all relevant aspects of the Emissions Trading Scheme with a potential impact on the industry, including

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but not limited to possible impacts on electricity prices, correlation and implications for the carbon leakage list covering the 2015-2019 period and allocation methods (auctioning and free allocation) as well as the amount of free allowances.

The main reason is that long-term uncertainty makes corporate decisions more difficult to be taken. In this respect, the industry cost structure along the value chain is an important aspect when assessing potential impact on the industry competitiveness of any future policy changes. LKAB as the main iron-ore European producer has a cost structure that differs from that of competitors operating outside the EU; LKAB's decisive cost factors in this context are CO₂ and energy prices, both linked to current and future EU policies.

LKAB strongly believes that it is in the interest of the European citizens **to have a stable regulatory environment regarding the EU ETS** (i.e. number of allowances auctioned, timeline, volumes of free allowances, carbon leakage requirements). If the Commission secures a right to intervene in the EU ETS market (e.g. by increasing and/or decreasing the number of allowances whenever it would consider appropriate or by changing the auctioning schedule) without taking into account the aspects mentioned above, it will send a clear signal of uncertainty to the industry that would delay or hamper decisions on the necessary investments for smart, sustainable and inclusive growth.

In conclusion, LKAB supports a fair, **stable regulatory framework** and proposes **minimum interventions in the market. Only in exceptional cases where the fundamental functioning of system is endangered, should market intervention be permitted. Such interventions shall only be made after prior appropriate assessments of the impact on the competitiveness of the European industry.**

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