

1.

In your opinion, how have key indicators of the risk of carbon leakage (such as exposure to international trade, carbon prices etc.) for the EU energy intensive industry changed since the adoption of the climate change and energy package implementing the EU's unilateral 20% emission reduction target at the end of 2008?

According to our view no significant changes concerning key indicators for carbon leakage have occurred since the final decision on the climate end energy package at the end of 2008. In the energy intensive sectors the exposure to international trade continues as before. The role of fast growing emerging economies such as China in the world economy is even more pronounced in the recovery phase of the economic crisis.

Regarding carbon prices they have stayed at a rather stable level for quite some time and a growing number of stakeholders are convinced that the carbon market (EU ETS) works as it should. The main problem for the time being seems to be to adopt the necessary technical measures to prevent fraud in relation to the EU ETS. According to predictions by carbon market analysts a slow but clear rise in allowance prices is expected during the next few years.

2.

Do you think that the outcome of Copenhagen, including the Copenhagen Accord and its pledges by relevant competitors of European energy-intensive industry, will translate into additional greenhouse gas emission reductions sufficient to review the list of sectors deemed to be exposed to a significant risk of carbon leakage? If so, how and why?

We think that it is still too early to assess what the Copenhagen accord and the pledges given in connection with that will result in with regard to emission reductions in relevant competitor countries. The pledges have been given very recently and it is not clear at the moment what kind of legal status the pledges will eventually have, if any. In any case the pledges are not currently backed up by national legislation in most countries. The legislative processes in e.g. the US, Japan and Australia are still ongoing and the final outcome is uncertain. With regard to the situation in the US it does not seem likely for the time being that the energy intensive industry will face the same kind of carbon constraint as is the case with the European industry.

The pledges presented by the big developing countries such as China and India are difficult to assess, the stringency of these pledges are very dependent on the assumptions taken. It is unclear what kind of implications, if any, the pledges will eventually have on a company level in the relevant industries. According to some analysts, the pledges do not seem to indicate a major deviation from a business as usual scenario.

Based on the above mentioned reasons we think that the decision on the list of sectors exposed to carbon leakage could not be reviewed for the time being. According to our view the analysis done by the Commission and the decision based on that are still valid.

3.

In your view, what would be a compelling new general economic or other factor which would require a change of the level of free allocation to sectors deemed to be exposed to a significant risk of carbon leakage?

According to our view it is not possible to answer this question at this stage. We know in any case that there will not be any 100 % free allocation with regard to the need for allowances. The allocation to the sectors identified to be at risk of carbon leakage will be based for the most sectors on benchmarking. The decision on the benchmarks and the other allocation rules and on the maximum annual amount of free allocation will give the appropriate basis for such an assessment. The preparation of the benchmarks so far indicates that the benchmarks will be strict. At this stage it is not possible to get a detailed picture of the future level of free allocation. In any case we think that the directive and its article 10a give the basis for the level of free allocation to the sectors at risk. A totally different approach to this issue would require an amendment of the directive. However, if the benchmark values and other rules for the free allocation are too strict, the risk of carbon leakage remains high.

4.

Do you consider free allocation of allowances as sufficient measure to address the risk of carbon leakage, or do you see a need for alternative or additional measures?

We think that free allocation should be the main method to address the risk of carbon leakage in the sectors identified to be at risk. It would be a straight-forward method as free allocation in any case is going to be applied as an allocation method. It is important that free allocation rules also include rules on new entrants and closures from the point of view of carbon leakage risk. Free allocation could not compensate for the whole cost increase caused by emissions trading even for the most efficient installations as the effect from increased power prices cannot be taken into account. It is important to develop guidelines for the application of possible state aid for the compensation of the cost burden caused by higher power prices.

The directive also refers to other measures such as some kind of boarder mechanism to reflect the carbon footprint of imported goods. We think that the boarder mechanism could turn out to be an overly complicated approach and it could cause negative effects in other areas. We think that the development of such a system would not be beneficial for the international climate change negotiations. We could however understand that referring to the boarder mechanism may to a certain extent be motivated by tactical reasons.