Brussels, 29 June 2007

European Commission
Review Emission Trading Scheme
env-ets-review@ec.europa.eu

Dear Sir, dear Madam,

CEFS represents the interests of the European Sugar industry in 21 member states of the EU 27. The 113 member companies of our federation are currently operating 184 sugar factories.

Almost all sugar factories produce the energy needed for sugar beet processing and the manufacture of sugar in their own combustion plants, of which the capacity generally exceeds 20 MW. Sugar factories therefore fall under the scope of the Directive for trading greenhouse gas emission allowances. This is why the national allocation plans established by the Member States affect the members of CEFS. In CEFS members' factories, next to the combustion plants which produce the energy supply for the factories, there are other installations for the drying of beet pulps and lime kilns and they, too, emit CO2.

After having experienced the first emission trading phase, CEFS wishes to underline in the following what it considers essential and which must be borne in mind when adopting the Directive, in order to ensure a level playing field between all stakeholders:

- **Coverage of Small Installations**

  The heavy impact of the current ETS on small installations is of highest concern for the European sugar sector. Particularly of concern are the related monitoring, reporting and checking requirements which are often disproportionate to the actual low level of emissions of the sector's small installations.

  Naturally, the operating costs of the EU ETS are justified by the achieved environmental benefits. But given the minimal emissions of small installations and therefore their marginal character under the current ETS, CEFS considers that the principles of proportionality and cost-effectiveness should be taken into account in a more realistic way.

Indeed, while ETS compliance causes considerable fixed costs for small installations, their emission reduction potential is usually too low to achieve compensatory volumes of sales in allowances.

CEFS is therefore asking for an exclusion of small installations from the scope of the ETS Directive.

- **Transfer of Emission Allowances**

Special circumstances arising from past and future restructuring measures in the sugar industry must be duly considered when allocating the emission allowances. Over the past ten years, the European Sugar industry has undergone an enormous restructuring process. In view of the changing overall conditions in the areas of agriculture and raw materials processing in sugar factories, the pressure towards further streamlining is likely to persist.

However, as the purpose of factory closures is not to reduce capacities but to transfer the production, the rules for emission trading must be designed in such a way as to avoid the loss of emission rights when the sugar production of a site is transferred to another factory. This principle must apply both to restructuring measures of the past and to future factory closures.

CEFS is therefore requesting the possibility for a transfer of emission allowances between sites owned by the same company and which must be possible without limit and without the special constraints of emission trading (i.e. without having to set up a pool). This is necessary, among other things, because sugar beets are natural raw materials whose availability varies from one year to the next depending on the conditions for growth. The fact that the raw material sugar beet is available in varying and unpredictable quantities automatically implies variable emission outputs requiring a certain flexibility in terms of usable emission allowances.

CEFS would very much appreciate that the Commission includes the concerns of the European Sugar industry in its ongoing reflections on the revision and, further, in the implementation of the Directive on emission trading.

Yours sincerely,

Jesper Thomassen

Jesper THOMASSEN

President of CEFS Environment Working Group