

**CERAME-UNIE'S CONTRIBUTION TO THE CONSULTATION ON STRUCTURAL OPTIONS TO
STRENGTHEN THE EU EMISSIONS TRADING SYSTEM**

Register ID: 79465004946-12

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, and represents around 10% of the installations under the European Emissions Trading Scheme (ETS), but less than 1% of the emissions.

As a member of the Alliance of Energy Intensive Industries, Cerame-Unie, the European ceramic industry association, has already expressed its opposition to the Commission proposal to backload 900 million allowances from the years 2013-2015 until 2019-2020. The “structural options” presented by the European Commission in the report on the state of the European carbon market are conceived as the second step of the policy intervention to tackle the growing imbalance between supply and demand and the current level of carbon price.

Against this background, Cerame-Unie would like to contribute with the following remarks to the public consultation on the “Consultation on structural options to strengthen the EU Emissions Trading System”.

Ensuring legal stability and predictability: the transition to a competitive low carbon economy represents a major challenge for the EU industry and its whole society, which requires a massive amount of investments. The revised ETS Directive which was adopted in 2009 introduced significant changes to the existing scheme, such as a EU-wide cap, auctioning as default allocation system, free allocation based on benchmarking. These rules aimed at strengthening the scheme while ensuring the legal predictability until 2020. A major revision of such rules just after the beginning of the third trading period would undermine the confidence of investors. Furthermore, they would affect the cost-efficiency of the system, by altering the equilibrium between supply and demand. This would jeopardize the credibility of the EU ETS as a cost-efficient and market-based instrument at European and international level.

No additional unilateral burden: the EU climate and energy package sets ambitious targets, to which the industry is responsibly contributing. In the absence of an international climate agreement providing a level playing field, all proposed options will inevitably lead to further direct and indirect unilateral cost increases, which would affect not only the energy-intensive sector but also private consumers. This would undermine the international competitiveness of the EU manufacturing industry, which is already subject to the binding ETS emissions target (-21% compared to 2005) and to free allocation rules based on ambitious benchmarks set at the level of the best 10% performers.

Shaping EU climate & energy policies beyond 2020: as explained above, investments in low carbon technologies can be promoted only within a stable and predictable legal framework. For this reason, the time horizon of any policy intervention should be beyond 2020 and should aim at a consistent and comprehensive framework for both climate and energy policies which takes into account also industrial competitiveness. The main goal of such strategy should be an international legally binding agreement with a comparable burden for the major trading partners and a special consideration for industries composed mainly of small emitters like the ceramic sector. As a general approach, climate targets should be set in the context of a comprehensive industrial policy, considering the principles of technical feasibility and economic cost-efficiency. While pursuing that strategy, the EU should establish clear and transparent conditions before linking third countries' emission trading schemes with the EU ETS. In the absence of such agreement, transitional provisions to prevent carbon leakage (i.e. free allocation and financial support schemes for indirect costs) should be maintained and enhanced also beyond 2020. In order to provide the necessary legal predictability, such provisions should apply to the entire trading period (instead of the current 5-year revision). Furthermore, rules on new entrants and capacity extensions should be improved to better promote new investments. Moving beyond the 2020 horizon would also allow rethinking the "one size fits all approach" and considering also the interaction of the EU ETS with other provisions, such as the Energy Efficiency Directive, the Industrial Emissions Directive and the Renewable Energy Sources Directive. A comprehensive reform should also consider alternative instruments, such as import taxes or independent trading mechanisms for the manufacturing industry and the power sector. Last but not least, as explained in the Ceramic Industry Roadmap any target-setting policy must be accompanied by financial support to facilitate development of breakthrough technologies. This should be funded also by recycling of existing environmental and energy taxes and auctioning revenues.

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 employees and a production value of around € 28 billion within the EU.

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