

Report of the ad hoc stakeholders meeting of the ECCP Working Group on ETS on carbon leakage

**29 April 2009
Brussels**

Welcome, introduction and general remarks

Mr Jos Delbeke (Deputy Director-General, DG Environment) and Ms Viola Groebner (Director, DG Enterprise) welcomed the participants to the meeting on behalf of the Commission. They explained that the purpose of the meeting is to present the approach taken in the quantitative analysis of the carbon leakage assessment as well as its preliminary results in order to maintain maximum possible transparency in the exercise. At the same time it was stressed that a qualitative assessment would follow for sectors it is deemed necessary for.

Further process of the carbon leakage assessment

Ms Yvon Slingenberg (Head of Unit, DG Environment) gave a presentation with an overview of the consultation and adoption process and its time frame. She pointed out that after the presentation of the preliminary results, there will be time for reflection and subsequent further bilateral discussions if necessary. The next stakeholder meeting is planned to be held in June. Furthermore, it was stressed that according to the Directive there is the possibility of annual supplementation of the list of sectors deemed to be at a significant risk of carbon leakage. Additionally, there will be a general review of the list every five years, and a specific review in light of the outcome of the Copenhagen conference later this year by June 2010.

Presentation of the first results of the carbon leakage assessment

Trade-intensity

Mr Barreiro-Hurle (DG Enterprise) gave a presentation on how trade-intensity is assessed, including the preliminary results of this exercise.

CAN-Europe asked if the Commission could distribute all non-confidential data that was used in the assessment before the next stakeholder meeting. The Commission replied that PRODCOM is a publicly available database and therefore accessible to the participants, but that the data could be made available if they are interested.

A representative of the foundry industry (CAEF) pointed out that sectors for which data are not available will have to be assessed via the qualitative analysis, which the Commission confirmed.

The dairy industry made a remark that some of its sector's installations are not part of the ETS, which may therefore distort the quantitative assessment's result. The Commission explained that the criterion of market characteristics is part of the qualitative analysis and can be scrutinised in this context, if deemed necessary.

Direct and indirect CO₂ cost impact

Mr Juergens (DG Enterprise) gave presentations on direct and indirect CO₂ cost calculation, including preliminary results.

Both WWF and Friends of the Earth voiced serious concern about using 100% auctioning as the base for the assessment's calculations. The Commission took note of the comments. In addition, WWF asked if the Commission calculated what share of total emissions under the ETS would originate from the sectors assessed as exposed to a significant risk of carbon leakage. The Commission replied that no such calculations have been made based on the current preliminary results.

The representative of the non-ferrous metals sector (Eurometaux) made a comment objecting to the use of an average emissions factor for the indirect costs. The representative of the industrial energy consumers (IFIEC) asked which electricity factor exactly will be used and noted that the marginal power plants determine this factor. The Commission explained that it is using an average emission factor used by the European Environmental Agency.

The Estonian representative inquired whether the assessment of the impact of carbon leakage on Member States' energy security is included in the Commission's assessment. The Commission replied that this is not the case yet and that this will be done by 30 June 2010, as stated in the Directive.

A representative of the chemical sector (CEFIC) advocated the use of NACE-3 instead of NACE-4 for the analysis of their sector. The Commission explained that it is looking at data at both NACE-3 and NACE-4 levels in order to be as precise as possible. At the same time the Commission made clear that the analysis is still in process, and that NACE-3 is a fallback option in case there is not enough data available at NACE-4 level.

The representative of the aluminium sector (EAA) asked if direct emissions of new entrants were included in the calculations. The Commission explained that it is looking at the issue. These emissions will be accounted for when the data received from the Member States directly or from their national inventories is used.

The representative of the industrial energy consumers (IFIEC) asked how the combined heat and power (CHP) data was treated. The Commission replied that for the time being all such emissions have been allocated to electricity production. Therefore it invited industries to provide additional input with regard to CHP for any sectors where this could be an issue.

Qualitative assessment

Mr Barreiro-Hurle (DG Enterprise) gave a presentation on the qualitative assessment.

Distribution of the preliminary results of the quantitative assessment

A table with the preliminary results of the quantitative assessment at NACE-4 level was distributed among the participants. The table has meanwhile also been published on the Commission's website. Additionally, the Commission stated that bilateral meetings are possible with sectors that can show that the data used is not accurate.

The chemical industry (CEFIC) noted that allocating a certain amount of CHP emissions would change the picture of certain sectors' assessments. The Commission explained that for

the time being, it is not able to assess what amount of the CHP emissions can be assigned to the industry and would look into this further.

The paper sector (CEPI) requested a table with NACE-3 level assessment data. The Commission replied that it does not want to create confusion by distributing data that is too provisional, such as in the case of the analysis at NACE-3 level, but offered to provide sectors with this data bilaterally.

The ceramics sector (Ceramunie) stated that assessment of their sector at NACE-4 level is not possible, since there would be only incomplete data available at this level of scrutiny. They also pointed out that their consultants are working on a study at NACE-3 level, which they hope will be considered by the Commission. The Commission reiterated that certain data, e.g. the process emissions, are still missing from the preliminary results. In this context the Commission voiced doubts over the usefulness of a study at NACE-3 level using the "revision 2" version of the NACE classification.

COGEN Europe raised the issue of eligibility of cogenerated electricity consumed by installations exposed to the risk of carbon leakage to receive compensation for increased electricity cost and asked the Commission to ensure equality of treatment between imported grid electricity and cogenerated electricity. The Commission took note of the comment.

WWF commented that the table presented should take also into account 3rd countries' undertakings for emission reductions, as requested by the Directive. The Commission said that there is a study on this underway, but that it is an assessment separate from the present carbon leakage exercise.

Concluding remarks

The Commission concluded that the presented preliminary results are not final, but a starting point for a structured dialogue with stakeholders. Possible comments and meeting requests from stakeholders should be submitted by May 15 to Mr Ehrenberg (DG Enterprise) in a substantiated and focused form. During the two weeks following this deadline bilateral meetings with sector representatives will be scheduled. The next stakeholder meeting, where the Commission will communicate the draft final results, will be held in the second half of June. After that the Commission will conduct inter-service consultations before the list will be put to the vote in comitology (September) and finally be formally adopted by the Commission by end of December this year.