

Sectors deemed to be exposed to a significant risk of carbon leakage – outcome of the assessment

WG 3 Meeting 18 September 2009

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- ↪ **Comprehensive quantitative analyses for 258 sectors (Mining and Manufacturing) carried out at NACE-4 level (Dec 08 – July 09)**
- ↪ **A number of subsectors and products also quantitatively analysed**
- ↪ **A number of sectors analysed qualitatively**
- ↪ **Large number of contacts with stakeholders, Member States and Eurostat**
- ↪ **1st draft carbon leakage list presented to stakeholders on 29 April 2009**
- ↪ **2nd draft carbon leakage list presented to stakeholders on 1 July 2009**
- ↪ **Transparent process via carbon leakage website**
- ↪ **Impact assessment prepared in July 2009**

★ Quantitative assessment at NACE-4 level

(Article 10a Paragraphs 14-15-16):

↪ Additional costs per gross value added

↪ Trade intensity with 3rd countries

- ★ Trade Intensity over 30% **OR**
- ★ Additional CO₂ cost over 30% of GVA **OR**
- ★ Trade Intensity over 10% **AND** additional CO₂ cost over 5% of GVA

- ★ **Base is "additional costs induced by the implementation of this Directive"**
- ★ **In the preliminary analysis, a simplified assumption of 100% auctioning was used.**
- ★ **Following legal assessment, costs are based on best estimates for 2013 and 2014, taking into account**
 - ↪ **the declining share of free allowances**
 - ↪ **the required stringency of the benchmarks**
 - ↪ **the linear factor of the cap**
- ★ **The estimate is that around 75% of allowances for non-exposed sectors will be purchased in 2013-2014.**
- ★ **No sector removed from list due to this change**

- ★ **Results** : out of 258 sectors, 146 meet the criteria at NACE 4-digit level
- ★ 117 sectors show a trade intensity above 30%
- ★ 27 sectors have both CO2 cost above 5% and trade intensity above 10%
- ★ Two sectors have CO2 cost above 30% with trade intensity below 10%

- ★ **More detailed analyses carried out for particularly heterogeneous sectors**
- ★ **Prodcom-6 or -8 level**

★ **13 subsectors/products in 5 product groups deemed at significant CL risk**

- ↪ Food processing industries
- ↪ Industrial gases
- ↪ Non-metallic mineral products
- ↪ Glass fibres (filament glass fibres)
- ↪ Colours and similar preparations for ceramics/ glass etc.

★ **Qualitative assessment (Article 10a17)**

- ↳ Emission reduction potential
- ↳ Current and projected market characteristics
- ↳ Profit margins as indicator of investment decisions

★ **Analyses carried out for 7 of the 112 non-exposed sectors at NACE-4 level**

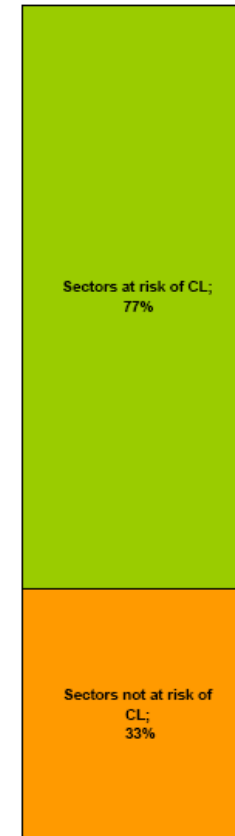
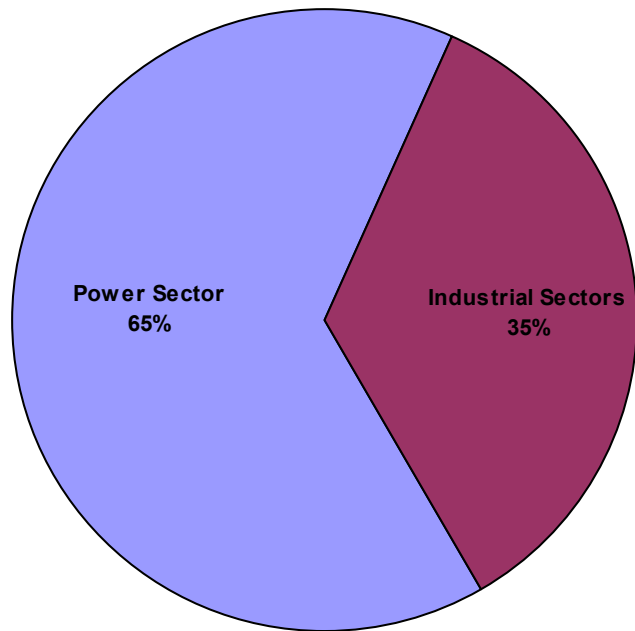
- ↳ Borderline cases
- ↳ Missing or unreliable data

★ 5 sectors deemed at significant CL risk

- ↪ Finishing of textiles (17.30)
- ↪ Wood-based panels (20.20)
- ↪ Manufacture of plastics in primary forms (24.16)
- ↪ Casting of iron (27.51)
- ↪ Casting of light metals(27.53)

- ★ **146 + 5= 151 of 258 NACE-4 sectors deemed at Significant Risk of CL (SRCL)**
- ★ **13 additional subsectors/product groups on CL list**
- ★ **Sectors deemed exposed to SRCL account for $\approx 75\%$ of GHG emissions of industries covered by ETS**

What does this mean in emission terms



A majority of emissions in ETS will be auctioned.

The environmental objectives will be reached as cap reduction not affected by CL assessment.

- ★ **18 September 2009: Vote in Climate Change Committee & submission to European Parliament & Council. If approval;**
- ★ **September – December 2009: Scrutiny procedure of European Parliament and Council**
- ★ **European Council 29-30/10 or 10-11/12**
- ★ **December 2009: Adoption by Commission**

- **List valid up to five years**
- **Possible revision of list before 2014:**
 - ★ **Within the remit of the Directive:**
 - ↪ Every year sectors may be added if they satisfy quantitative or qualitative criteria
 - ★ **After Copenhagen through review:**
 - ↪ Potentially, in case of changed trade figures (the extent to which third countries firmly commit to reducing GHG)
 - ↪ Potentially, in case of known allocations per sector

Link to BM exercise

- ★ Linking installation to NACE codes was necessary in the CL exercise, but will not be used for the benchmark exercise.
- ★ Benchmarks are to be set at product level and installations manufacturing products of the same type are to be treated equally. It will thus be independent of the NACE code assigned in the CL assessment.
- ★ If, for example, an installation is assigned a NACE code of a sector not deemed as exposed to a SRCL, but produces, inter alia, products produced by a sector deemed as exposed to a SRCL, these products shall receive free allowances at 100% of the relevant benchmark as well.