

RO ANSWERS

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?

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?

A: The Copenhagen Accord represents a step forward in the fight against climate change, even if it is clearly different from the ambitious targets set by the EU. For the future in its endeavour to fight climate change, UE must remain realistic and level-headed.

From the perspective of the Copenhagen results, finalising a legally binding agreement should remain the major objective for the EU and, in this respect, the future multilateral negotiations have become an important strategic element.

Romania considers that it is essential to maintain Europe's industrial competitiveness, especially under the present economic crisis conditions. European companies must not be disadvantaged compared to the companies from third countries which are not engaged in meeting comparable reduction targets with the EU's, therefore current provisions on carbon leakage must be kept at least until a future global binding agreement is concluded. At this stage, we have yet no certitude that the international agreement will match Europe's ambitions, in what concerns both the level of reductions and the constraints imposed to achieve those reductions.

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?

A: In accordance with Article 10a (1) of Directive 2003/87/EC the benchmarks are to be adopted by the end of 2010.

Assessment of the economic effects based on costs generated by the level of benchmarks can be taken into account at the time of revision of the list of sectors and sub-sectors exposed to a significant risk of carbon leakage.. In this context, it should, also, be taken into account the capacity of a sectors and sub-sectors to pass the ETS costs into products. These effects will be determined by calculating the amount of allowances that the EU ETS operators will have to buy due to the tough requirements for benchmarks; in the same time we have to bear in mind that the percent of allowances which will need to be bought in 2013 and 2014 by the sectors no included in the list of sectors exposed to a significant risk of carbon leakage.

The changes of the key indicators will be available at EU level in the following period. Thus, for Romania one of the indicators which should be considered is carbon price

projections, taking into account the banking of allowances from second ETS period to third ETS period. Also, it should be seen the changes of the market share in the context of economic crisis. At the same time, the reassessment of ETS costs in the light of new information – benchmarks/auctioning should be considered.

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?

A: Taking into account that Copenhagen political agreement is not legally binding we consider that the analytical report should consider the inclusion in the Community scheme of the importers of products. In this respect the French proposal concerning carbon inclusion mechanism represent in Romanian view a good starting point for discussion.

Please send your views to Clima-ETS-Benchmarks@ec.europa.eu by 12 April 2010