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Ms. Yvon SLINGENBERG
European Commission
Head of Unit, DG Environment C.2
Market Based Instruments Including
Greenhouse Gas Emissions Trading
B-1049 Brussels, BELGIUM

Bonn, 29 June 2007
gg-sn

Review of the Emission Trading Directive – VDS Statement

Dear Ms. Slingenberg,

The VDS, the German Abrasives Federation, is the worldwide largest national association of manufacturers of abrasive products and represents the majority of the German abrasive industry. We would like to bring in our comments with respect to the review of the Emission Trading Directive.

The production of inorganic bonded abrasives (also called vitrified abrasives) is currently partly addressed by Annex I of the Emission Trading Directive:

"Installations for the manufacture of ceramic products by firing, in particular roofing tiles, bricks, refractory bricks, tiles, stoneware or porcelain, with a production capacity exceeding 75 tonnes per day, and/or with a kiln capacity exceeding 4 m³ and with a setting density per kiln exceeding 300 kg/m³"

The current definition containing an "and/or" leaves the decision in which way the definition is transposed into national law to the Member States. Therefore different approaches exist within the European Community – some Member States transposed it with "and/or", others with "and" and others with "or" into national legislation. As a result, depending on the national implementation of the Emission Trading Directive in some countries operators of installations for the production of inorganic bonded abrasives are included in the national ETS system, in others not. This is due to the fact that within the EU installations for the production of abrasives never exceed a capacity of 75 t/day. Therefore this criterion is never fulfilled. In order to remediate existing market distortion a European wide harmonisation is therefore regarded as essential.

The European abrasive industry for inorganic bonded abrasives is characterised by small installations with high environmental standards and low CO₂ emissions. The total amount of CO₂ allowances for the inorganic bonded abrasive industry for Germany is around 15,000 t/y (11 companies). The annual recurring additional administrative costs for each company are a minimum of 6,000 €.

The national implementation of the emission trading directive with respect to the ceramic industry is very inhomogeneous ("and/or" problem). Therefore some companies have

competition disadvantages as they have additional costs caused by the emission trading obligations without a chance of any economic benefits. Also the environmental benefits as intended by the Directive are not achieved due to the small amounts of CO₂ emissions of the abrasive industry compared to other industries.

The production of inorganic bonded abrasives takes place at small installations with low emissions and no significant risks to health or environment. All requirements as set up in the BREF "Ceramic Manufacturing Industry" are fulfilled in the existing installations for the production of abrasives. However, with the current definition some abrasive production installations have to fulfil the same administrative efforts as other installations of the ceramic sector with high production volumes and CO₂ emissions without achieving the intended environmental benefits as envisaged in the emission trading directive.

Looking at a survey published by the German Ministry of Environment on the sector specific transaction costs, the average costs per t CO₂ in the ceramic sector are the highest (~ 3,20 €/t) compared to all other industry sectors (e.g. paper industry ~ 0,6 €/t, energy sector: ~ 0,1 €/t).

The German and the Italian government already considered the special situation of the abrasive industry and changed the definition within the emission trading law accordingly. Now, all three criteria (> 75 t/day production capacity and kiln capacity > 4 m³ and setting density per kiln > 300 kg/m³) have to be fulfilled by companies of the ceramic sector to fall within the emission trading regime. Also the Dutch government does not apply the emission trading for the abrasive industry as the corresponding minimum amount of CO₂ is not fulfilled.

According to COM (2006) 676 final ¹ it is clearly stated that "it is the view of the Commission that the review process should be driven by the principles of environmental efficiency, while taking account of the cost-effectiveness of the measures proposed." Against this background we would like to emphasize that the production of inorganic bonded abrasives should be excluded from the ETS system. To reduce the administrative and the financial burden of the SME and additionally to unburden the authorities we therefore apply to adjust the definition of Annex I in the following way:

"Installations for the manufacture of ceramic products by firing, in particular roofing tiles, bricks, refractory bricks, tiles, stoneware or porcelain, with a production capacity exceeding 75 tonnes per day, **and** with a kiln capacity exceeding 4 m³ **and** with a setting density per kiln exceeding 300 kg/m³".

We would appreciate a decision of the European Commission in this sense; if further information or a personal discussion is necessary, we will be prepared to give further input about the situation in the abrasive sector.

Yours sincerely



Dr. Gunnar Grecksch

¹ COMMUNICATION FROM THE COMMISSION TO THE COUNCIL, THE EUROPEAN PARLIAMENT, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS, Building a global carbon market – Report pursuant to Article 30 of Directive 2003/87/EC