

**STATEMENT OF THE EUROPEAN FERRO-ALLOYS AND SILICON INDUSTRY
ON 2015 INTERNATIONAL CLIMATE CHANGE AGREEMENT:
SHAPING INTERNATIONAL CLIMATE POLICY BEYOND 2020**

- JUNE 2013 -

The Consultative Communication published on 26th March 2013 invites for a debate on the best way to shape the international climate agreement to be adopted in 2015. It sets out a context and suggests a set of questions to frame this debate. EUROALLIAGES welcomes the opportunity to give its viewpoints on the basis of the questions raised.

EUROALLIAGES supports the efforts to reach an international climate change agreement as soon as possible, since it believes that **only such a configuration would provide the European manufacturing industry with the level playing field necessary to preserve its competitiveness**. To this purpose, the international climate change agreement must be **based on equivalent commitments from the major competitors of the EU** and the EU must not be put in a position where unilateral targets remain at a level which exceeds the targets set by other parties.

EUROALLIAGES represents about 95% of the sector in the EEA. Its members provide major industries with essential base materials: they supply the iron and steel industries, while representing the most efficient and economical way of introducing alloying elements into iron and steel melts in order to produce the required steel grades. It also provides to the electronic, chemical and solar industries with essential base materials for their products. All processes are energy-intensive.

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QUESTION 1:

How can the 2015 Agreement be designed to ensure that countries can pursue sustainable economic development while encouraging them to do their equitable and fair share in reducing global GHG emissions so that global emissions are put on a pathway that allows us to meet the below 2°C objective? How can we avoid a repeat of the current situation where there is a gap between voluntary pledges and the reductions that are required to keep global temperature increase below 2°C?

EUROALLIAGES still sees **the EU Emissions Trading System (EU ETS)** as **the best lever to come to an international agreement**. Among the known approaches, the EU ETS is the climate change instrument that gives most flexibility to the actors involved and to the negotiators in finding a fair and acceptable distribution of burdens between the highly differing situations in the world countries and regions. Hence, the negotiating volume seems feasible compared to negotiating costs.

To facilitate international negotiations of the 2015 international agreement, the EU should implement **an ETS that could serve as a blueprint worldwide**. Such an ETS must include elements which are of interest to those countries that should join an international agreement, namely the **possibility of economic growth**. This is why the EU needs to reform the ETS to make it growth-proof (please refer to EUROALLIAGES' position on structural measures to reform the EU ETS and IFIEC's proposal for an "enhanced ETS", especially on the proposal for methodology to allocate emission allowances).

A global agreement is particularly important for **stakeholders in global markets facing global competition**, and thus for EU energy-intensive industries, among which the ferro-alloys and silicon sector, which is particularly exposed to often unfair competition.

UNFCCC processes should therefore be as much as possible streamlined to make the agreement feasible and realistic. They must provide a **true level playing field**, ensuring a real agreement and not only unilateral commitments.

Sectoral agreements might be the first choice for a number of important regions and countries. If designed properly (based on a benchmarking approach and without an absolute industry cap), these might be an acceptable alternative.

QUESTION 2:

How can the 2015 Agreement best ensure the contribution of all major economies and sectors and minimize the potential risk of carbon leakage between highly competitive economies?

Climate policies must be **growth-proof** and not build obstacles for any economies to grow.

QUESTION 3:

How can the 2015 Agreement most effectively encourage the mainstreaming of climate change in all relevant policy areas? How can it encourage complementary processes and initiatives, including those carried out by non-state actors?

The 2015 Agreement must promote climate change policies as a **tool that brings success and wealth** to the countries that follow. Since the benefits of combating climate change are not equally dispersed around the globe (some countries would suffer much harder from global warming than others), following the related policies must bring a benefit as compared to those that do not follow. Efficient growth and modernisation of the economy must here be in the center of interest for politicians and negotiators.

QUESTION 4:

What criteria and principles should guide the determination of an equitable distribution of mitigation commitments of Parties to the 2015 Agreement along a spectrum of commitments that reflect national circumstances, are widely perceived as equitable and fair and that are collectively sufficient avoiding any shortfall in ambition? How can the 2015 Agreement capture particular opportunities with respect to specific sectors?

No answer.

QUESTION 5:

What should be the role of the 2015 Agreement in addressing the adaptation challenge and how should this build on ongoing work under the Convention? How can the 2015 Agreement further incentivize the mainstreaming of adaptation into all relevant policy areas?

No answer.

QUESTION 6:

What should be the future role of the Convention and specifically the 2015 Agreement in the decade up to 2030 with respect to finance, market-based mechanisms and technology? How can existing experience be built upon and frameworks further improved?

No answer.

QUESTION 7:

How could the 2015 Agreement further improve transparency and accountability of countries internationally? To what extent will an accounting system have to be standardized globally? How should countries be held accountable when they fail to meet their commitments?

The EU and the participants in the EU ETS have gained good experience in all Monitoring, Reporting and Verification-related issues around this scheme. The EU's experience might be of great help to other countries for which this is a primary barrier to overcome. By **sharing its experience**, the EU should help others to catch up before the distance becomes too large to overcome.

However, EUROALLIAGES believes that 100% standardization is not feasible around the globe. In this context, further and more stringent unilateral EU-target setting is not helpful.

QUESTION 8:

How could the UN climate negotiating process be improved to better support reaching an inclusive, ambitious, effective and fair 2015 Agreement and ensuring its implementation?

No answer.

QUESTION 9:

How can the EU best invest in and support processes and initiatives outside the Convention to pave the way for an ambitious and effective 2015 agreement?

No answer.

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