

EU ETS - Costs for the Swedish industry

Report published by the Swedish Energy Agency in February 2007

This limited study was part of the process to produce a Swedish proposal for how the EU ETS should be developed after 2012

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Index and sources of info

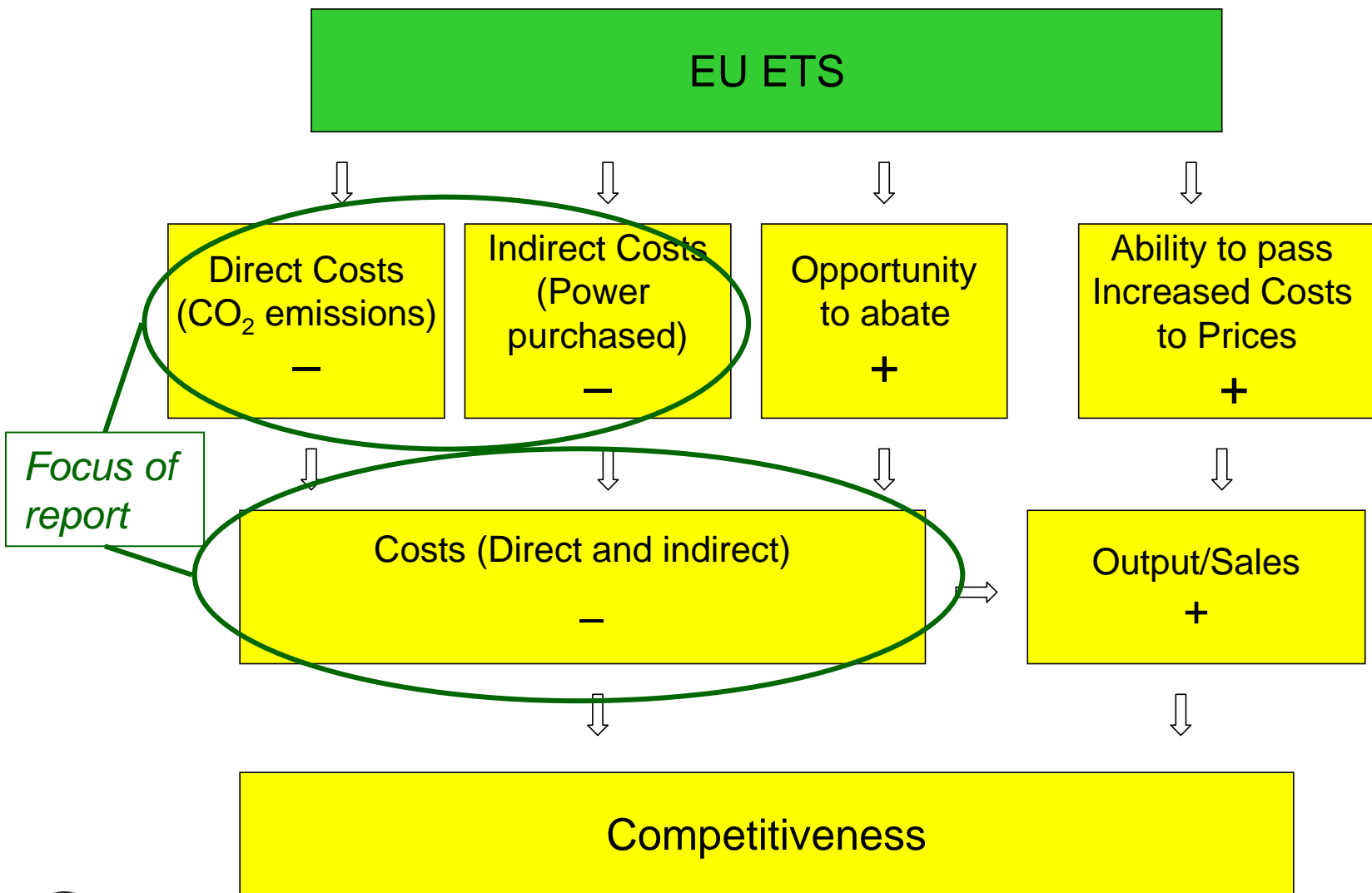
Index

- Direct costs
- Indirect costs
- Investments
- Competitiveness
- Analysis of different measures to decrease the risk of carbon leakage

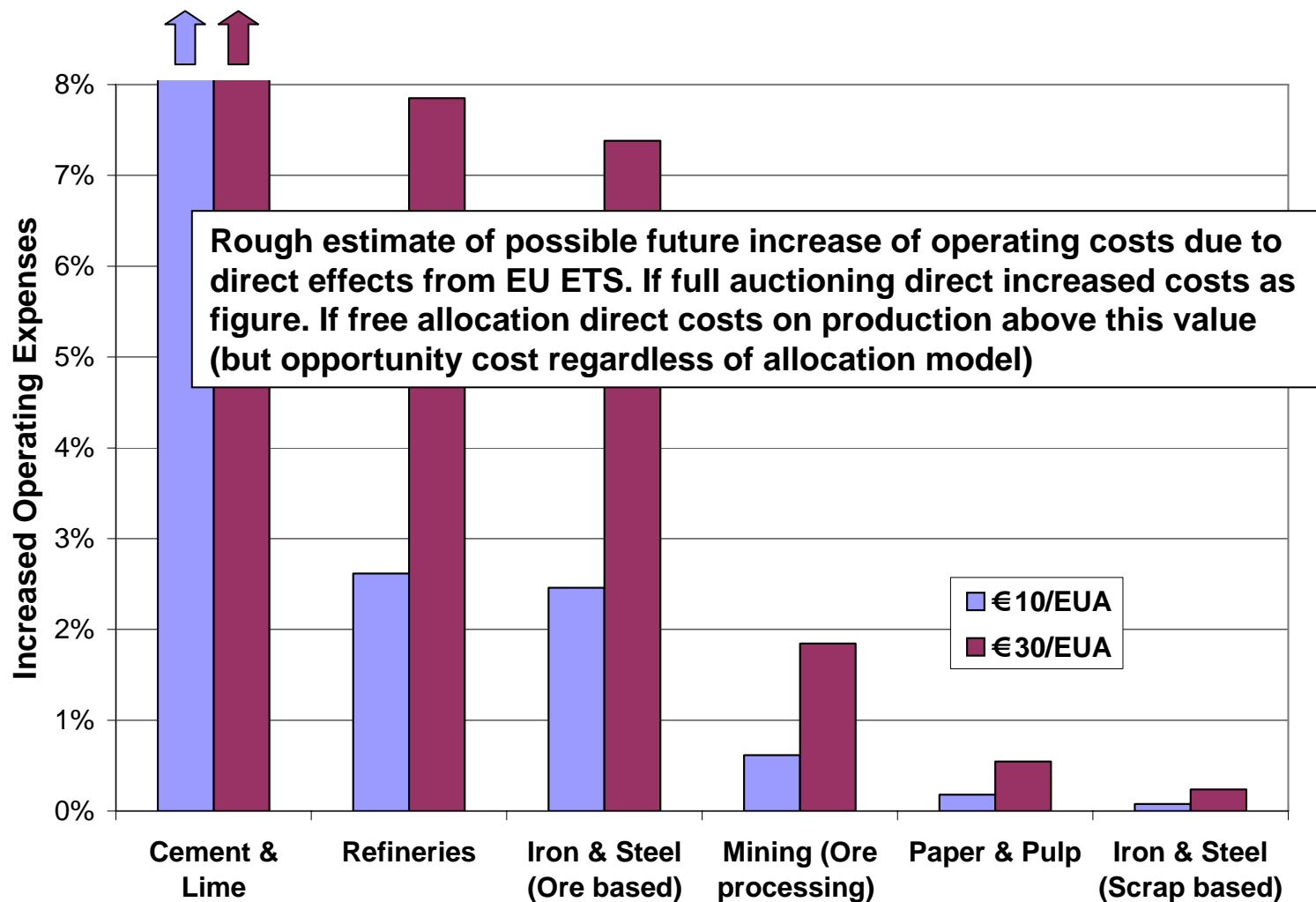
Sources of info

- Papers, reports, studies (international & Swedish)
- Statistics (Financial, energy, emissions, etc)
- Market info
- Interviews with industry (companies and trade organisations)

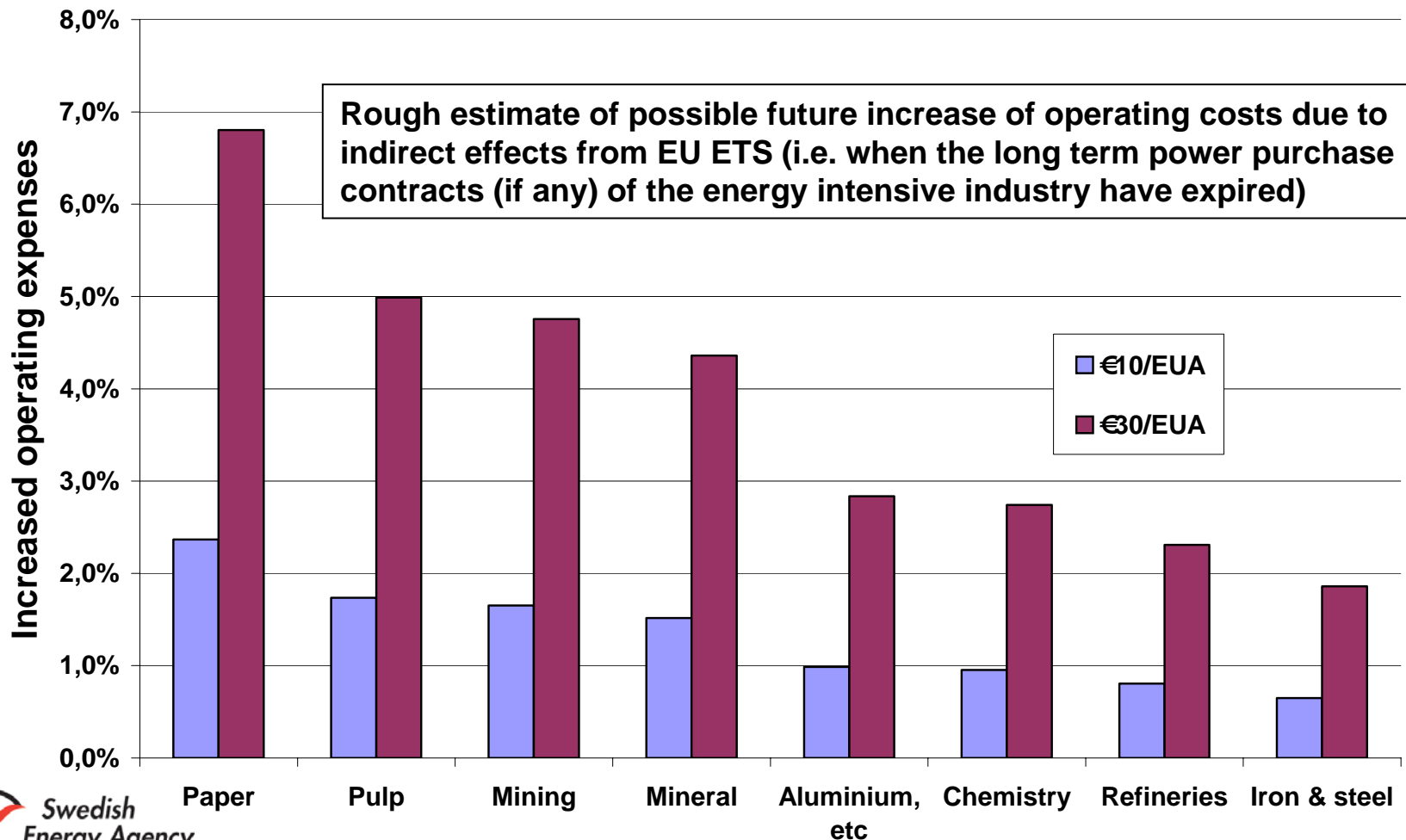
The (short-term) impact on competitiveness



Direct effect



Indirect effect through electricity prices



Some conclusions (I)

Costs 2005-2007 for Swedish industry:

- Direct effect small for most sectors
- Indirect costs (through power prices) dominating effect
 - Even though Nordic power sector has a low carbon intensity, the pass through of EU ETS cost on (almost) all sold electricity is a logical result of:
 - The deregulated Nordic Power Market and the power price setting mechanism of this market
 - That the opportunity cost principle is applied by the power producers
- Total operating expenses (power price) can increase with several %

Costs after 2012 for Swedish industry:

- Direct effect dominates in emission intensive sectors
 - e.g. Cement, Lime, Iron & steel (Ore based), Refineries
- Indirect effect dominates in power intensive sectors
 - e.g. Paper, Pulp (Mechanical), Chemistry, Iron & steel (Scrap based), Aluminium, etc
- Total operating expenses will increase with several %

Some conclusions (II)

- The ability for Swedish industry to pass increased costs through to prices is difficult to assess:
 - References give no clear answer, but shows that Swedish energy intensive industry is dependent on non-EU export
 - According to Swedish industry and trade organisations pass through possibilities are very limited
- Investments are influenced in several ways – Difference between:
 - minor CO₂-abatement investments and
 - major new (green field or brown field) investments

Thank you

PM (in Swedish):

[http://www.swedishenergyagency.se/web/biblshop.nsf/frameset
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