



Carbon leakage and competitiveness. What have we learned so far?

**First stakeholder meeting on post-2020 carbon leakage provisions for the EU
Emissions Trading System**

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LESSONS LEARNED: SCIENTIFIC EVIDENCE

- ECORYS: **no evidence** detected for the occurrence of carbon leakage in the period 2005-2012.
- CE Delft: in ETS Phase I and II a number of carbon intensive industries **passed on carbon costs to consumers.**
- Climate Strategies: for the majority of companies energy prices have **very little impact on global competitiveness.**
- CE Delft: the current carbon leakage list is based on **outdated parameters.** Applying more realistic assumptions would reduce the number of sectors deemed at risk of carbon leakage from the current 60% to 33% of sectors.

LESSONS LEARNED: FREE ALLOCATION

- Untargeted support: did not help to boost innovation and drive investments.
- Resulted in huge windfall profits.
- Can be seen as misuse of public assets.
- Increases overall economic costs of climate policy.
- Activity level requirements discourage asset rationalisation and negatively affect energy efficiency improvement.

After 2020 full auctioning should be obligatory for all ETS sectors.

LESSONS LEARNED: A WAY FORWARD

- Ensure a broad stakeholder representation in the debate on the new measures.
- Design new measures to send a positive signal towards the international climate negotiations.
- Focus on an adequate, fact-based assessment to define sectors entitled to receive financial support for R&D and innovation:
 - ✓ Strict, realistic, transparent and regularly reviewed criteria;
 - ✓ Stop defining sectors to be exposed to a risk of CL solely on ‘trade intensity’ or on ‘additional cost’ criteria;
 - ✓ Take into account the possibility for industries to pass on carbon costs to consumers;
 - ✓ Take into account technical potential to increase efficiency and reduce emissions;
 - ✓ Take into account technology development;
 - ✓ Take into account the presence of comparable carbon pricing policies in other countries and regions.

Cembureau, 2008:

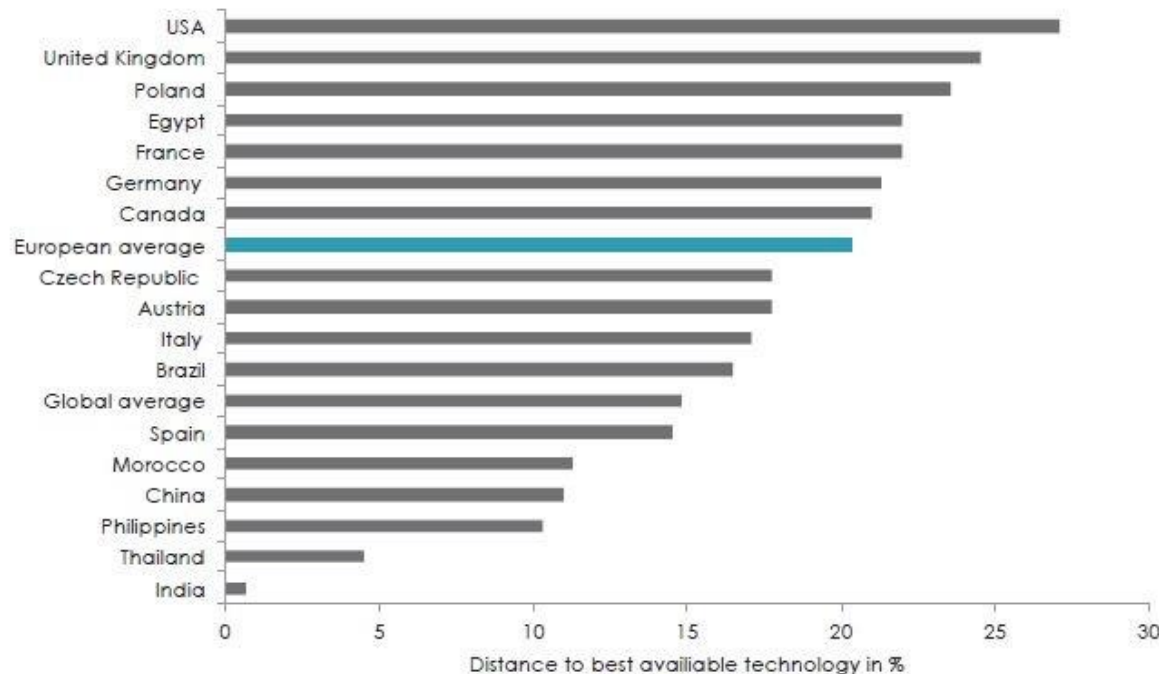
“It is clear that there is not only a very real risk of carbon leakage in our industry, **but that carbon leakage is already occurring.**”

Climate Strategies, 2013:

The most efficient cement production currently occurs in Asia, **in particular in India and China.**

Energy consumption per tonne of cement clinker above benchmark in 2011.

Cement production is particularly efficient in some Asian countries.



Source: Based on Cement Sustainability Initiative - GNR database.



Thank you for your attention.