Subject: Public consultation in preparation of an analytical report on the impact of the international climate negotiations on the situation of energy intensive sectors

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?

MEDEF: The exposure to international trade has not changed since the energy package even though the crisis has changed many factors.
The carbon price has decreased due to the dramatic decrease of production in 2008-2009,
The last indicator not mentioned, GVA, has also dramatically decreased for the same reason. GVA has also been impacted by indirect costs passing through CO2 marginal production cost
On the short term the ratio may vary enormously, but will never be calculable as the two indicators are not available at the same time. Only long term average values have to be used. This was the initial Commission intention with the forecast CO2 value of 30€/t. The average GVA for each sector has also to be considered. The list is established until the next revision to avoid uncertainties for the companies and allow long term view for investment.

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?

MEDEF: The Copenhagen accord is in no way an agreement involving a similar level playing field for any industry. Monitoring, reporting and certification is not even defined in the accord. No other continent or country has accepted a similar reduction of GHS as in Europe in absolute term.
Those installations which were border-edge in term of performance will face a strong competitive challenge in the 3rd period if no agreement is signed.

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?

MEDEF supports Business Europe scorecard which remains valid for this answer: this position is similar for all businesses in Europe. With the present crisis, the investment capacity of most companies has been decreased. An economic recovery is necessary to achieve the reduction target in an other way than decrease in production.

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?

MEDEF: free allocation of allowances up the benchmark doesn't mean no cost for the industry:
Only the 10% best installations may have a small burden, but in average installations will have to purchase the difference between the average emission and the 10% best emission. This difference is already huge in most sectors. If the allocation formulation is tougher than this level it becomes obvious that the marginal cost for worse than average installations will become deleterious.
The investment costs to comply with the -21% target will be in many cases above imports costs of the same product.
A Border Adjustment mechanism must be studied as written in the directive to face the carbon leakage due to under allocations to the energy intensive industry.