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CIRFS submission to the consultation on structural options to strengthen the EU Emissions Trading System

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CIRFS members are exposed to carbon leakage based on the trade effect. This is the consequence of the global and competitive market the man-made fibres industry is operating in. This also implies that the man-made fibres industry is working hard, since many years, to save on energy and to increase the energy efficiency of its production processes in order to stay competitive.

In CIRFS view the carbon market and ETS is functioning. The CO2 price today, reflects the economic downturn, with a surplus of allowances as a logical consequence. Any option or instrument to increase the CO2 price is an artificial action, and puts an end to a market-based instrument. It will directly and indirectly lead to an artificial, not market based, price increase affecting the man-made fibres industry and the manufacturing industry as a whole. This, at a time that Europe as a whole is in a recession, showing raising un-employment figures, month after month. Higher CO2 prices, and consequently higher energy prices, will as a result not create additional jobs, but on the contrary it will be a brake on economic recovery as it will further deepen the gap in the global non-equal level playing field as we have today.

The discussions over the last months have raised uncertainty, reduced predictability and transparency within the industry, due to an intended political intervention aiming at a CO2 price increase. Instability is killing for investment. Any cost increase to the current situation will further hurt the economical and trade situation of the man-made fibres industry. Please remind that the trade effect is the criterion that the man-made fibre industry has met to be exposed to carbon leakage.

Climate and energy policy cannot be a stand-alone strategy or action, but should be considered within the frame work of industrial competitiveness. Manufacturing is an activity creating much more jobs and much diverse jobs than any other activity, and creates wealth. Policy measures, like the proposed structural options, should also be focusing on creating a setting to keep industry in Europe and to attract new investments. CIRFS is however afraid that the only effect of fixing the CO2 price, will be a simple cost increase with all its consequences. The primary goal of ETS is emission reduction, and not a CO2 target price. "Do not change the rules of the game, during the game", but keep ETS a market-based instrument.