

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?

From our point of view there are no substantial changes in the Carbon Leakage (CL) sectors.

Some sectors which have not yet been classified as “carbon leakage” have some significant increases concerning the threshold values on trade and cost intensity. These sectors should therefore be included into the list.

For example:

In the brick industry some mediterranean countries such as Italy or Spain have the trade intensity has risen over 10%, in Romania its even more than 30%.

Sugar industry: Trade intensity with countries outside the EU has increased due to finalization of the CMO-reform process, caused by the restructuring process according to the imposed market reform CO₂-emissions in the remaining sugar factories have increased significantly (sugar production is a seasonal business, taking over of production from closed sites cause longer beet-campaigns at the remaining sites, which means higher emissions without increase of installed capacities).

Some more criteria on products which are similar or in competition to each other have not yet been taken into account. The respective products (sectors) being not yet in the CL list should be added to the list.

Key indicators have not changed. The carbon leakage criteria were set by the heads of state meeting finalising the Energy and Climate Package. The so called carbon leakage list was based on an analytical assessment by the Commission, using the criteria in the directive - trade indicators, GVA data and carbon intensity data, together with carbon prices. The criteria and levels set in the directive and the analysis are directly linked. The Commission used the same assumptions as were used to define the criteria in the first place. The analysis studied the future, expected situation in 2013 and 2014 as a basis for the carbon leakage list, based on available historical and statistical data and future assumptions. Neither the historic data nor the assumptions have changed. The current carbon price has no meaning, as the future price will be set by the still to be developed benchmarks, international negotiations, etc. If one can say anything, it is the fact that the economic crisis has worsened the situation and the carbon leakage problem has increased.

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?

No.

1. Some additional (sub-)sectors are up to joining the list, but this is not connected to Copenhagen.
2. The Copenhagen climate change conference failed to achieve a consensus for a comprehensive international agreement to combat the risks of climate change. The European Union has taken the leadership role in climate change and has adopted the ambitious unilateral target of a -20% reduction of emissions of greenhouse gases by 2020 based on 1990 levels. The European Council of 10/11 December 2009 reiterated the EU's conditions to move from -20% to -30%. These are "*that other developed countries commit themselves to comparable emission reductions and that developing countries contribute adequately according to their responsibilities and respective capabilities*". These conditions have so far clearly neither been met by the principal emitters of the 'other developed countries' nor by 'developing countries'.

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?

Double charging has to be prohibited, as well as a CO2 tax for companies.

A change of the level of free allocation for CL sectors can only happen when the direct competitors of a sector in the world market will have really comparable burdens (same mitigation level, same reference 1990, also an auctioning system, also a binding cap and trade system).

In spite of the actual situation of the certificate prices on a low level the industries have to calculate with a rising price level on mid to long term - this will also lead as a further consequence to a higher Carbon Leakage risk.

Article 10(b) of the directive would allow for even further measures (import measures, compensation, adjustment of percentage of allowances) to prevent carbon leakage.

The directive already enables free allocation of 100% of the benchmarks. However, if the benchmarks lead to much larger reductions by industry than the -21% foreseen in the -20% target, adjustment could even be considered, or the "starting point" of the benchmarks changed.

At the end of the day, the carbon costs and prices worldwide must be fairly equal to avoid carbon leakage. Such an equality is currently fiction.

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?

100% free allocation of allowances would be the most sensible action to address the risk of carbon leakage.

But free allocation of allowances only helps in battling Carbon Leakage for the costs of the direct emissions. The EU remains the only region with carbon prices included in the electricity prices and therefore high electricity prices. None of the other regions of the world have such a situation - without a cap and trade system in place. Compensation of indirect electricity costs should be a step forward, but should not be limited to a small number of sectors, but to all relevant installations under EU ETS with high electricity costs. The decision not to give free allocation to industry for auto-electricity production by CHP would cause a severe disadvantage to CHPs.

The implementation of BTAs (Border Tax Adjustments) should not be aimed at due to their supposable negative effects on international trade. Nevertheless BTAs might help to address significant distortions of competition for specific, comparable, carbon-intensive products - if they are implemented on a multilateral level.

Setting climate policy targets must neither weaken the competitiveness of European companies nor the attractiveness of the EU as a production location in comparison with the rest of the world. The EU must therefore work towards a global climate agreement with adequate obligations of relevant industrial, emerging and developing countries.

Further Instruments could be Carbon Inclusions or similar mechanisms, that oblige importers of products into the EU to buy certificates or include them into the ETS on a bilateral level. These environmental instruments are especially applicable to non-EU countries which do not contribute to climate change programmes.

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