



EUROPEAN COMMISSION

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

13 June 2014

Brussels

Summary Conclusions (for information purpose only)

The first stakeholder meeting on carbon leakage post-2020 took place in Brussels on June 13 and brought together representatives of the Commission, Member States, industry, academics, NGOs and other organisations. The meeting was co-chaired by DG CLIMA and DG ENTR.

In the opening of the meeting, Mr Daniel Calleja, Director-General of DG ENTR highlighted that the post 2020 carbon leakage architecture has to follow three principles: it has to be simple, predictable and effective. Mr Jos Delbeke, Director-General of DG CLIMA called for a fact-based and rational process. Mr Delbeke noted that there is no conclusive evidence of carbon leakage so far due to the ETS, and that the measures and rules in place are working well but that improvements are always possible.

The meeting was organised in sessions; each with presentations by a panel and an exchange of view from the audience. The sessions were focused on past experience and lessons learned concerning the carbon leakage risk, the allocation rules in phase 2 vs phase 3 and measuring competitiveness.

The discussions raised a number of issues and underlined certain concerns. These included the possibility of having a more focused carbon leakage list with fewer sectors that could better protect those sectors most at risk, the issue of non-harmonised compensation measures for indirect costs, the issue of possible investment leakage and how to measure it, the trade-offs inherent in choosing between simplicity and complexity in establishing the future system and rules, and the question of determining allocations either based on historical data or on output. There were mixed views on whether the system so far has encouraged innovation or not but there seemed to be a consensus on the fact that it needs to be improved in this respect.

Mr Delbeke concluded the session on past experiences by reiterating that no carbon leakage has occurred based on the evidence we have. While the future is not certain, efforts towards a new international deal are being stepped up and there are promising developments. The present system should be improved and a more targeted carbon leakage list could offer better compensation for those most at risk. The claims of investment leakage are difficult to assess but important for future reflection; consideration should be given to how to link possible innovation support to incentives for investing in EU. Ex-ante allocation could be improved, including more flexibility, but output based raises many questions - challenges for transparency, revealing commercially sensitive data, more "red tape" and concerns about the efficiency of the system.

Other aspects brought out by the discussions included the impact of carbon costs, electricity prices and their impact on industry, the complexity of the calculations underlying the policy implementation, the need for better assessments and better data collection to base them on linked

with the need for more accurate global level comparisons. Administrative efforts were also discussed.

On the subject of measuring competitiveness, it was highlighted that in order to have a fact-based assessment there is a need for good data and good indicators as unfortunately, the data available is mostly incomplete or inconsistent and indicators are sometimes missing. A more integrated view is needed for assessing the impacts of climate and energy on industry's competitiveness, for example looking at the link between energy prices, energy costs and competitiveness. It was underlined that an important factor for industry is energy costs, and not only energy prices. Energy efficiency is a crucial element in this equation although considerations on technological development and feasibility are important in a given time frame. Overall, in order to develop a comprehensive analytical framework and improve methodologies as well as the quality of data, strong cooperation between different Commission services, relevant stakeholders and member states is necessary.

Ms Tovšak Pleterški, Director in DG CLIMA, concluded the last session by underlining the fact that what Europe needs is a strong industrial base, driven by innovation and technological advancement. She noted that the number of allowances is limited – as is also the compensation possibility. The discussions in the second stakeholder meeting will consequently have to focus on establishing the parameters of the support the ETS system can offer to the industry and strategic choices that would need to be made in this respect; special focus will be given to innovation.

Mr Calleja concluded that the purpose of the meeting had been achieved: consulting stakeholders and exchanging views on the future policies after 2020. Discussions on carbon leakage are a concrete example of the interaction between climate change policy, energy policy and industrial policy. It is essential to integrate policies and make them cost-effective. This represents a challenge, a fact that was underlined by the discussions of the meeting. The principles presented in the introduction were reiterated: the new policy must be based on simplicity, predictability and effectiveness.