

Netherlands' reaction on the public consultation 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?

Answer 1: Carbon prices haven't changed significantly since the adoption of the package. And because of the economic crisis the carbon prices are expected to remain the same, as emission levels have dropped for the last two years. At the same time, the Copenhagen conference did not put the EU on a 30% reduction path for 2020 yet: the conditions to move to 30% remains the same as before Copenhagen. At this moment it is difficult to say how pledges done by other Parties may have an influence on international trade. At the moment the risk of carbon leakage seems to be low.

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?

Answer 2: Many countries made pledges in Copenhagen, these pledges need to be analyzed first. Still, for knowing the risk of carbon leakage, it should be more clear how these national pledges have impact on these sectors. At the current stage, the risk of carbon leakage for the majority of the ETS sectors is expected to be small, so there is enough reason to review the list of sectors. We should also take into account that the criteria which determine whether a sector is exposed to carbon leakage are set in a very flexible manner. This results in higher levels of compensation than necessary to avoid carbon leakage. Therefore we consider the current criteria in combination with the level of compensation not representative for covering the risk of carbon leakage.

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?

Answer 3: The outcome of an international agreement could result in adjustment of the level of free allocation. Another reason to adjust the level of free allocation would be when it is proven that (sub) sectors are passing on their costs of CO<sub>2</sub> on a higher level than was assumed.

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?

Answer 4: Yes, at the moment, in a 20% reduction scenario for the EU, we do not consider any additional measures necessary.