ETRMA contribution to the consultation on the Roadmap for a low carbon economy by 2050.

Brussels, December 15 2010

ETRMA – the European Tyre & Rubber Manufacturers' Association thanks the European Commission for organising this consultation.

ETRMA members are 12 leading tyre manufacturers with 90 plants in 18 Member States; and another 4000 manufactures (95% of which are SMEs) producing tehnical rubber products going into automotive, mining, construction, medical and baby care applications. Together, the tyre and rubber manufacturers have realised close to € 50 billion turnover in 2009; investments up to 4,3 % of their annual turnover in R&D, as much as € 7.3 k R&D/employee and is employing directly 360.000 people in Europe.

Creating jobs and helping innovation to flourish, for example in green and new technology sectors, is a welcomed target, but it should not be forgotten that traditional industrial sectors are those which, together with the services sector, employ the bulk of European citizens. When creating incentives and stimulus measures for the new technology sectors, the competitiveness of traditional ones should not be undermined.

Unrealistic and unbalanced regulations targeted to mitigate climate change effects may result for industrial sectors in loss of competitiveness in terms of rising energy costs, increased administrative procedures, costs for identifying alternative materials, with potential trade-off in terms of product performances, and renewing machinery. Proper impact assessment and "competitiveness test" are essential steps before any regulatory initiative.

The regulatory process needs to:

- **Set clear and achievable objectives (uncertainty over future rules holds back innovation and investment);**
- **Promote global harmonisation of technical regulations = technical and administrative prescriptions;**
- **Push effective enforcement of EU legislation in Member States: in particular with the introduction of tyre labelling (1222/2009) and unprecedented new type approval (661/2009) obligations;**
- **Ensure sustainable accessibility to (key) resources (as these grow in regions where we have to deal with various uncertainties, e.g. natural disasters, socio-economic instabilities, etc.).**

A credible roadmap should create confidence in the future, which helps investment decisions. However, it has to be borne in mind that forced shifts in consuming habits have limited effects. To give an example: whereas consumers can quite easily shift from traditional to energy saving light bulbs, forced shift from road transport to rail transport for example would not work as people and goods must be transported from door to door. We support realistic solutions to de-carbonise transport along the lines of *syncro- modality*, bringing different modes of transport to effectively work together according to various needs, including consumer/users needs.

ETRMA contribution focuses on the following policy areas in particular:

1. **Revision of the EU Emissions Trading Scheme Phase III,**
2. **Mandatory tyre requirements for sustainable transport (fuel efficiency and road safety),**
3. **Recycling and re-using of tyres,**
4. **Sustainable production and use of raw materials**

1. EMISSIONS TRADING SCHEME

- Fallback approach (Heat Benchmark)
- Cross-boundary heat flows

ETRMA supports the aim of the revised Emissions Trading Scheme Directive, which has the objective to reduce greenhouse gases (GHG) emissions within the EU and to facilitate the achievement of international targets. ETRMA appreciates the transparent and objective criteria used for identifying sectors exposed to carbon leakage. At the same time, ETRMA encourages the European Commission to continue the efforts to reduce the risks and potentially serious impacts that currently exist in the above mentioned sectors.

According to a study performed by ETRMA in 2008[1], direct and indirect ETS costs will absorb on average **23% of the tyre manufacturers' profits**. Therefore a particular attention must be paid to development of methodologies for calculating and allocating free allowances.

Our sector is being classified as one in high risk of carbon leakage due to the intensive trade pressure from third country producers. We therefore remain concerned about the detailed implementation of ETS phase III and its impact on the competitiveness of our industry in Europe. .

The tyre industry: the steam particularity

The energy demand of the tyre industry and related CO2 emissions are associated to electricity and heat. Heat, which is mainly used in form of steam, is consumed primarily in vulcanisation processes. Steam is produced in combustion units (major source of direct CO2 emissions) located within the manufacturing plant and/or purchased from third parties: this is the major factor that determines inclusion in the scope of the ETS directive

There is indeed a direct link between CO_2 emissions and steam consumption/production. Based on Ecofys recommendations provided to ETRMA, the heat benchmark seems to be the most appropriate fallback option applicable to tyre manufacturing plants. Special attention should be paid to ensure that the allocation of free allowances is fair in case of cross-boundary heat flows, i.e.the total amount of free allowances is independent from the heat supply and assumes that heat purchased by exposed sectors receives 100% free allowances.

2. MANDATORY TYRE FUEL EFFICIENCY REQUIREMENTS FOR A SUSTAINABLE TRANSPORT

- 20 million tons of CO2 per year saved
- 10 billion EUR of fuel per year saved

ETRMA actively supported the mandatory tyre performance requirements with respect to fuel efficiency, wet grip and external rolling noise, through tyre labeling (Regulation 1222/2009/EC) and the Vehicles Safety Regulation (Regulation 661/2009/EC). Both will be on the market as from November 2012.

One fifth of the fuel consumption of a passenger car is devoted to fighting the rolling resistance phenomenon. Expected fuel savings from the increased use of fuel efficient tyres are estimated to lead a saving up to 4[2] million tons of CO2 per year. Therefore, the availability of reliable and comparable information on tyre performance will make it easier for consumers to take these elements into account in their purchasing decisions.

However, the industry will have to work hard and invest massively in research and development and type approval procedures, which will generate costs and investments to meet an **unprecedentedly** complex

[1] ETRMA 2008. *Tyre Manufacturing: Energy Intensive Industry Evaluation*. Ver 2.1. 30 July 2008
[2] EU Commission Press Release IP/09/1820

regulatory framework. It is the first time that a region has introduced such a complex and sophisticated regulatory regime. The type approval authorities will have to build extra capacities to meet the demand.

The Member States must ensure an effective enforcement and a proper market surveillance to be able to draw the benefits for the consumers' and economy (in terms of road safety and fuel efficiency) and to maintain the European industry competitiveness.

The European tyre industry is already doing its share of the necessary work under the so called "integrated approach" for CO2 reductions from road transport. Both Regulations on tyre labelling and general safety of motor vehicles result in a mandatory base for significant CO2 reductions from tyre use for passenger and commercial vehicles, for which the tyre sector is making enormous technological advances. Therefore, there should not be any overlap with other legislation, present or upcoming, for emissions reductions in transport as part of the climate change policy.

Also, ETRMA would like to remind that drivers' behaviour has a great impact on eco-driving. Even with the latest technology for tyre's contribution to CO2 reductions and fuel savings, it is ultimately the driver who can enhance the technology benefits . In this regard, driving on tyres with proper inflation pressure, as prescribed by the tyre industry and vehicle manufacturers, is of key importance for optimizing eco-efficient driving and for road safety. Along with the efforts of tyre manufacturers to raise consumer awareness, relevant EU and national authorities should support tyre education campaigns, and also ensure that knowledge on fundamental tyre aspects is part of the driving licence curricula.

Not least, ETRMA calls for a balanced approach in tyre legislation between, on the one hand, eco- and energy-efficient transport, and road safety, on the other hand.

3. RECYCLING AND RE-USING OF TYRES

- More than 95% of used tyres recovered in Europe
- Market for tyre derived products has become sustainable and economically viable

The European tyre replacement market contracted dramatically in 2009 compared with 2008. Even if the sales of truck tyres fell by 30%, and that of passenger car tyres grew only by less than 1% and despite the fact that the recession is having a negative impact on the supply of end-of-life tyres to sorting and recycling companies, ETRMA is pleased to confirm the positive trend in the management of end of life tyres (ELTs) with a recovery rate of **96%.** This achievement also promotes Europe as one of the most advanced regions in the world in the recycling and recovery of tyres.

The principal advance has been the growth in the number of environmentally-friendly and cost-effective options for recycling tyres; ELT derived products are now increasingly regarded as a useful resource for various recycling options. The EU is a pioneer in promoting the organisation of the collection, processing and recycling of tyres, mainly as a result of basic legislation and uniform guidelines that apply to all Member States. The European tyre industry also actively encourages research into new applications for materials recovered from tyres. This gives considerable benefits in terms of CO2 savings. Meanwhile, raw material prices and growing environmental awareness among governments, manufacturers and consumers are also helping to gain wider acceptance. At the same time industry is also promoting an efficient usage of end of life tyres as energy resource, also looking at the considerable biomass content of tyres.

The European tyre manufacturers' ambition is to further reinforce the healthy and economically viable tyre recycling market. To this end, ETRMA actively supports the development of product standards for end-of-life derived products, to improve the reliability of the supply chain, which is very important for the recycling and recovery operators.

4. SUSTAINABLE PRODUCTION AND CONSUMPTION OF RAW MATERIALS

Fair and sustainable access to raw materials are a key factor for sustainable growth in industrialized, emerging and developing economies. It is in our common global interest that resource wealth be used responsibly! We have to work closely together with resource rich economies as well as with important raw-material consuming economies. But at the same time based on sound life cycle analyses we will also have to encourage conservation of resources; recycling for sustainable growth.

A wide range of non-energy raw materials, including **natural rubber**, metallic ores, clays and aggregates are needed to build infrastructure and different types of products, such as roads, homes, schools and hospitals, and to produce many of the industrial and consumer products essential in a modern economy, such as IT equipment, tyre and car industry means of transport, and household appliances.

Recently some materials, like **Solution SBR** (Styrene-Butadiene Rubber) and anything containing butadiene monomer, used in rubber manufacturing have become either scarce, expensive or both. These raw materials should be considered critical because, as for many other substances used in the rubber industry, substitution might not be possible, and in any case would involve slow and expensive work requiring highly skilled and specialized research and costly up-to-date laboratories.

Analysts predict that demand will continue to outstrip supply and it may last for the next decade. Commodity prices were surprisingly floating in 2009, and are expected to increase further in 2010 as world activity expands after the global crisis. Prospects for 2011—prices of many commodities are likely to increase further because of rising demand, adjustment at the supplier base and an expected faster pace of global economic growth than in 2009.

Just as an example, natural rubber price has tripled over the last 12 months from $1.5/kg to $4,70/kg (RSS3 grade). Such increases have at least four-to-six-month lag effect on tyre companies' profit and loss.

As outlined above, natural rubber is and for long will remain a critical raw material for tyre manufacturing. In this vein, ETRMA calls on the European Commission to work closely with our industry in finding opportunities to stabilize the price of this commodity and to progressively reduce and eliminate export duties and quotas through FTAs special chapters. Also supporting international bodies such as the International Natural Rubber Study Group (unique in its nature) would help to enhance market information and policy dialogue between producing and demanding countries.

For further contact:

Mrs F. Cinaralp, Secretary General
f.cinaralp@etrma.org

www.etrma.org