Stowarzyszenie Producentów Cementu
Polish Cement Association

PC PEWNY CEMENT

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Consultation on structural options to strengthen the EU Emissions Trading System

CONTRIBUTION from POLISH CEMENT ASSOCIATION

General conclusion:

Polish Cement Association (PCA) is strongly opposed to any proposal that would introduce changes in the third trading period and that would result in multiple reforms in the space of a few years.

None of the option presented in the report are real structural measures. All proposed options concentrate on the short term carbon price, thus addressing the consequence and not the root cause of the problem.

For post 2020, PCA calls for an integrated approach which takes into account climate change, energy, industrial policy and resource efficiency. The fundamentals should be addressed in such a way that:

1. Predictability is ensured;
2. A level playing field from both a geographical and a sectoral point of view is ensured;
3. Long-term growth, jobs and investments in Europe are stimulated.

Other avenues than the one currently addressed in the report should be explored. This includes allowances supply management mechanisms as well as mechanisms aiming at creating a level playing field with importers.

Comments on the proposed options:

As requested in the consultation, this section provides detailed comments on the proposed *structural* measures for the EU-ETS included in the Report.

Polish Cement Association strongly recommends that the European Commission, the European Parliament and Council engage in a proper consultation in relation to a predictable, consistent and simple legal framework which provides industry with the legal certainty required. Long term investment planning in Europe requires legislation that ensures both legal certainty and predictability.

- **Option a: Increasing the EU reduction target to 30% in 2020**
  This option would introduce changes in Phase III which, as outlined above, is not acceptable. It is essential that any further reduction in CO_2 emissions above the

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targets agreed should remain conditional upon the conclusion of an international agreement between all major GHG emitting countries. This should be undertaken with a view to establishing a global crediting scheme, characterised by a comparable methodology to measure GHG emission reductions and equivalent monitoring and reduction efforts.

If such conditions are not applied, PCA cannot support a unilateral increase of the EU reduction target to 30% in 2020.

- **Option b: Retiring a number of allowances in phase 3**
  Option b) would entail market interference, to which PCA is opposed in principle. Short term intervention will not provide the long term structural change that is necessary to properly address supply and demand of allowances appropriate to the scale of both the environmental and industrial policy ambitions of the EU.

- **Option c: Early revision of the annual linear reduction factor**
  These two options would introduce changes in Phase III which, as outlined above, is not acceptable. PCA insists that no proposal should be rushed through without it being linked to the reflection on long-term measures relating to the functioning of the European carbon market. In addition, any proposal should be accompanied by an Impact Assessment, including competitiveness-proofing for the sectors concerned.

  These measures change the framework for EU-ETS compliant industries and carbon market participants shortly after the entry into force of the new EU-ETS phase III rules, thereby undermining the credibility and predictability of the scheme.

  Moreover, option c) would have consequences for the EU-ETS after 2020 which must be carefully assessed. In particular, companies' increased exposure to the risk of carbon leakage would need to be properly reviewed before any decision is taken to avoid damaging the competitiveness of European business.

- **Option d: Extension of the scope of the EU ETS to other sectors**
  PCA believes that climate change policy should include sectors other than those currently covered by the ETD but the instruments to be used to achieve this have to be tailor-made. It is understood and recognised by the cement industry that emissions trading in the EU-ETS is a key tool to achieve emission reductions at purportedly the lowest cost. This may well be the case for the sectors currently covered by the ETD. Other tools, however, need to be developed to cope with CO_2 emissions from other sectors such as transport, buildings (commercial and residential) and agriculture. It should be emphasised that a blind extension of the ETD to such sectors might lead to distortions that could jeopardise the operation of the EU-ETS altogether.

Against this background, it should be evaluated whether the inclusion of sectors under the EU-ETS with characteristics similar to energy intensive industry (e.g. waste incinerators) can be implemented without burdensome regulatory overlaps and lead to a level playing field between similar industries.

- **Option e: Limit access to international credits**
  PCA is opposed to any cap that would limit the conversion of credits from projects into allowances. These credits provide equal environmental benefit and may reduce the economic burden of emission reductions, as such no quantitative restriction should be placed on their use. Any limitation, including limitations on the ability of companies to use such credits to meet emission reduction targets, will be yet another restriction on the competitiveness of European industry, it makes no environmental sense, is inconsistent with the spirit and the letter of international agreements, will adversely affect the cost-effectiveness of the JI/CDM instruments and, furthermore, create a deterrent for parties envisaging such projects and would constitute a barrier to trade in a commodity market, i.e., the CO_2 market.

  Furthermore, the decision at UNFCCC level (e.g. by the CDM Executive Board) should be accepted by Member State governments without any further bureaucratic hindrances (no double or multiple checking).

  Further crediting systems may prove useful, such as the development, under Article 24a ETD, of domestic projects, as they will trigger further emission reductions.

- **Option f: Discretionary price management mechanisms**
  PCA insists that any influence on free ETS market or price is not in line with general rule of ETS. Implementation of such artificial measure could lead to even more destructive effects.

Regards,

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