

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?

Poland considers that situation has changed significantly as practically all sectors covered by package (mostly ETS) have been exposed to higher carbon leakage risk. Investment decisions that lead to carbon leakage will now take into account disappointment of Copenhagen Conference and the prospects for adoption of post-2012 agreement. The carbon markets and prices will be significantly affected if there is a risk of a gap after 2012 in terms of legally binding reduction commitments. Competitiveness of European industry is now a source of concern not only due to current economic crisis but also by unilateral obligation imposed by climate and energy package meanwhile chances for the creation of OECD- wide carbon market are dwindling what makes global carbon price less feasible. Therefore close UE neighbors (i.e. Ukraine, Belarus) will gain competitive advantage.

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?

Copenhagen Accord itself will not translate into sufficient green house gases reduction commitments in order to ensure global playing field. The pledges submitted in particular by major economies are of strictly voluntary nature and do not necessarily lead to overall reduction of GHG emission levels. It is advisable to review the list of sectors in order to address this issue in all European industry sectors. In case of lack of comprehensive agreement in Mexico this year, it is even more important to review the methodology of calculating benchmarks within European Emission Trading Scheme for phase III (2013-2020) in order to allocate more free allowances for energy-intensive industry by:

- To calculate benchmark for each product fuel structure of energy necessary to manufacture this product must be taken in to account
- Benchmark values should be of the performance value to be achieved gradually till 2020. This way it would stimulate industry to converse technology to modern one and invest in low emission directions. That approach would not endanger the EU reduction goal of 21% in the year 2020 in the EU ETS.

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?

Lack of legally binding agreement post 2012 would require a increase (change) of the level of free allocation to sectors deemed to be exposed to a significant risk of carbon leakage.

Factor which would require a decrease (change) of the level of free allocation to sectors deemed to be exposed to a significant risk of carbon leakage:

- All countries must sign up to long-term global action consistent with science, and a continuous political process to review progress towards objectives and to modify objectives as needed.

- All developed countries must commit to binding emission reduction targets that are equally strong in terms of quantitative reductions and financial efforts needed
- Sound international competition for industry needs to be safeguarded on a global level. A process must be started so that industrial sectors exposed to international competition have equivalent obligations.
- Advanced developing countries must commit to setting their national emission targets or policies (properly reflected in domestic law) in a way so that global emissions peak at the latest by 2020.

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?

Free allocation today is based on the average performance of the 10% best performers in a sector. This means that only 5% of the installations will get what they need, while 95% will have to buy a large portion of their allowances facing very high extra costs. This will reduce their capacity to invest in new low-carbon technologies and in R&D. Therefore integrated European support for R&D in key technologies like energy efficiency must be maximized.

Poland strongly advocates for mitigating the risk of competitiveness distortion and carbon leakage with a balanced approach that combines a realistic reductions of GHG emissions with preserving European industry's competitiveness.

Energy-intensive industries must receive an adequate amount of free allowances to be distributed according to achievable benchmarking.

Furthermore if mechanism enclosed in ETS Directive is design correctly (with benchmark level in accordance with reality taking into account i.e. fuel specific) the mechanism itself is planned to prevent moving of industrial production from EU to third countries with lower environmental standards to gain competitive advantage. Actions undertaken by European Commission and some Member States shows uncertainty of mechanism credibility - carbon tax, co2 border tax, carbon enclosure mechanism are proposed.