



Carbon leakage debate

Council and European Parliament

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Main issues

- ★ Article 10a(9): Identifying sectors exposed to the risk of carbon leakage
 - Timing
 - Criteria
- ★ Article 10b: measures applicable to the exposed energy intensive sectors
 - Timing
 - Measures

Article 10a(9): criteria to identify sectors exposed to the risk of carbon leakage

Timing

- ★ Commission proposal: list of sectors or sub-sectors exposed should be adopted by 30 June 2010 and revised every 3 years
- ★ Council: A number of MS asked for an earlier deadline for the list
- ★ Presidency proposed 30 June 2009, and a revision every 5 years, with a possibility for sectors not included to request examination

Article 10a(9): criteria to identify sectors exposed to the risk of carbon leakage

Timing

- ★ Parliament: Some MEPs asked for an earlier deadline for the list and a less frequent revision

ITRE compromise amendment: 1 June 2010 and revision every 4 years

Article 10a(9): criteria to identify sectors exposed to the risk of carbon leakage

★ Council: A number of MS asked for more precise criteria

Written submissions:

- DE/UK/NL experts: a 2-step approach and more detailed criteria, in particular for qualitative analysis
- IT: (based on the DE/UK/NL experts' note) “Leakage index” and a methodology for calculating the level of additional free allocation

A lot of convergence among MS on:

- 2-step approach
- disaggregation and differentiation

Article 10a(9): criteria to identify sectors exposed to the risk of carbon leakage

★ Criteria proposed:

1. Quantitative assessment

- Increase in Cost per GVA / CO₂ intensity per GVA
- Trade exposure

2. Qualitative assessment

- Potential for reducing emissions and electricity consumption
- Market characteristics and structure
- Potential change in rate of exposure linked to a substantial increase in cost

Article 10a(9): criteria to identify sectors exposed to the risk of carbon leakage

★ Parliament: Ms Doyle's proposal close to DE/UK/NL experts'

★ Some MEPs asked for criteria to include:

- profitability,
- projected market structure,
- the effect of electricity price increases
- only possibilities to reduce emissions that are technically and economically possible

ITRE Compromise Amendment adds:

- The effect of electricity price increases
- The effect on the security of supply of raw materials

Measures applicable to the exposed energy intensive sectors

★ Commission proposal:

- Up to 100% free allocation as the default rule
- Report and any additional measures in the light of the outcome of the international negotiations - by 30 June 2011

★ Council: Some MS asked to bring forward the date for determining the measures, ranging from 31 December 2010 to 30 June 2010.

- Presidency proposed 30 June 2010.

Measures applicable to the exposed energy intensive sectors

★ Parliament:

Some MEPs asked to bring forward the date for determining the measures, ranging from 31 January 2011 to 30 June 2010

ITRE compromise amendments:

- 30 June 2010
- The Commission will examine feasibility of
 - adjusting the proportion of free allowances,
 - inclusion of importers or border adjustment mechanism.