

Proposal for a compromise solution for the modification of EU ETS

Considering the strongly opposing opinions expressed by different organizations at different forums on backloading it is possible that backloading will be accepted by the European Parliament. This decision will strongly affect energy intensive branches including the steel industry; its competitiveness that is endangered also by other factors will be weakened.

Pronounced objective of backloading is to keep quota prices at high level and so forcing companies to decrease their emission. Beside the bodies selling CO2 quota, transacting traders will enjoy the profit of high prices and it will be paid by the industry.

The aim of the compromise proposal below is to maintain the stimulating effect of higher quota prices and, at the same time, to decrease the financial load of steel companies (and other energy intensive companies) and stimulating them to develop low emission technologies.

Main points of the proposal:

1. CO2 quota prices should be fixed at a price that is substantially higher than recently. Fixed price will decrease uncertainties caused by changing quota prices and so costs can be easily precalculated. Prices should be fixed for one year at least and could be modified according to the latest experiences collected.
2. Recent unrealistic benchmark values defined for the steel industry should be corrected to realistic levels (e.g. average of the best 20-25 performers) New benchmark values should be defined in co-operation with EUROFER.
3. Predifined share of the incomes from quota trade (e.g. 5-10 %) should be collected at a separate fund and it should be used to grant R&D projects aiming to decrease CO2 emission in the branches concerned.

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