

ESAPA 13.04.2010

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?

The economic crisis has worsened the economic situation of EU soda ash producers and the risk of carbon leakage. The official shutdown of Delfzijl (Brunner Mond) during 2009 is well expressing this risk.

Both criteria / indicators of the risk of carbon leakage i.e. the direct and indirect cost impact as a proportion of the gross value added and the intensity of trade applied to Soda Ash sector are presently showing higher figures.

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?

The outcome of Copenhagen has not seen reached a quantitative international agreement in terms of global GHG emission reductions or a global level-playing field among different regions/countries of the world.

While the unilateral EU target of – 20% reduction of GHG emissions by 2020 based on 1990 levels is present we don't see any reason to review the list of sectors deemed to be exposed to a significant risk of carbon leakage.

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?

The real impact of the implementing measures for the allocation of the allowances in each sector comparing with the reference requested of 21%.

A realistic transition period is necessary to allow the implementation of improvements in an economically sustainable way. The free allocation of allowances should move to the average of the best 10% by 2020 to allow a realistic transition.

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 of allowances can not be seen alone but only in conjunction with the implementing measures for the allocation referred in article 10a i.e., to the extent feasible, ex. ante benchmarks.

Having therefore into consideration both measures, free allocation of allowances could be a sufficient measure to address the risk of carbon leakage if the industry reality were taken into account in those benchmarks, especially where a clear heterogeneity is observed.

As already announced previously by ESAPA whilst gas would be the fuel of choice from an EU ETS perspective, the application of a benchmark based on gas would make a very significant part of our industry totally uncompetitive and inevitably lead to very significant carbon leakage.

o0o