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EUROFER response to the public consultation on the 2015 International Climate Change Agreement: Shaping international climate policy beyond 2020

Consultation questionnaire

1. How can the 2015 Agreement be designed to ensure that countries can pursue sustainable economic development while encouraging them to do their equitable and fair share in reducing global GHG emissions so that global emissions are put on a pathway that allows us to meet the below 2°C objective? How can we avoid a repeat of the current situation where there is a gap between voluntary pledges and the reductions that are required to keep global temperature increase below 2° C?
2. How can the 2015 Agreement best ensure the contribution of all major economies and sectors and minimise the potential risk of carbon leakage between highly competitive economies?
3. How can the 2015 Agreement most effectively encourage the mainstreaming of climate change in all relevant policy areas? How can it encourage complementary processes and initiatives, including those carried out by non-state actors?
4. What criteria and principles should guide the determination of an equitable distribution of mitigation commitments of Parties to the 2015 Agreement along a spectrum of commitments that reflect national circumstances, are widely perceived as equitable and fair and that are collectively sufficient avoiding any shortfall in ambition? How can the 2015 Agreement capture particular opportunities with respect to specific sectors?
5. What should be the role of the 2015 Agreement in addressing the adaptation challenge and how should this build on ongoing work under the Convention? How can the 2015 Agreement further incentivise the mainstreaming of adaptation into all relevant policy areas?
6. What should be the future role of the Convention and specifically the 2015 Agreement in the decade up to 2030 with respect to finance, market-based mechanisms and technology? How can existing experience be built upon and frameworks further improved?
7. How could the 2015 Agreement further improve transparency and accountability of countries internationally? To what extent will an accounting system have to be standardised globally? How should countries be held accountable when they fail to meet their commitments?
8. How could the UN climate negotiating process be improved to better support reaching an inclusive, ambitious, effective and fair 2015 Agreement and ensuring its implementation?
9. How can the EU best invest in and support processes and initiatives outside the Convention to pave the way for an ambitious and effective 2015 agreement?

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EUROFER response to the consultation

Steel is a globally traded commodity, steel companies are competing on global markets. The top 10 producing countries/regions[1] account for 90% of the global steel output. China comes first with a production of 717 Mt followed by the EU-27 with 169 Mt[2]. The EU is the second steel importing region in the world and the second one as well in terms of exports. Hence EU steel sector faces fierce competition from developed nations and emerging countries not only on the domestic market but also on a global level[3]. From an industrial perspective in the sector, emerging countries can no longer be considered as developing countries. **In this context, the 2015 Agreement should not make any distinction between developing and developed countries as far as steel production is concerned. It should cover a critical mass of global production, including as mentioned above at least countries/regions covering altogether more than 90% of the global steel output.**

<u>EUROFER is therefore convinced that a comprehensive and legally binding climate deal is the best way to address climate change whilst solving distortion of competition issues due to asymmetric carbon constraints.</u> The 2015 Agreement should therefore not only look at cost-effective ways to reduce global emissions in line with the recommendations of the IPCC, it should also as a guiding principle ensure **global level playing field** between trade partners.

To make the agreement a success, it should include equal commitments from all developed countries and an adequate contribution by other developing countries. However in order to avoid competitiveness issues stemming from asymmetric CO_2 reduction policies, industry sectors exposed to international trade should be covered by a set of distinct rules enabling them to follow a CO_2 reduction pathway which is **technically and economically feasible** whilst ensuring global level playing field. This could be done by means of <u>global sectoral agreements</u> relying on:

- equal treatment of global competitors through similar measures with equivalent effects and taking into consideration local conditions;
- participation of a critical mass of global emissions and manufacturing including developed and emerging economies;
- an effective international monitoring and verification system;
- a binding dispute settlement regime and clear sanctioning rules;
- a harmonised CO_2 assessment methodology for all sectors, which provides for comparability, preferably in the form of an ISO or/and CEN standard;
- protection of intellectual property rights for technology dissemination and deployment.

EUROFER also wishes to stress the danger of mixing top-down and bottom-up climate targets. Many nations in particular emerging countries have shown a preference for bottom-up reduction pledges as confirmed in COP-16 in Cancún. On the contrary the EU has imposed itself a declining cap on CO_2 emissions. It is important to see how it is possible to reconcile both approaches. Special attention should be brought to global competitors facing a firm decarbonisation target through e.g. more flexible approaches.

Furthermore, market-based instruments and in particular carbon trading may play a prominent role in view of achieving mitigation objectives in a cost-efficient way. Such instruments should insofar as possible decrease and remove competition distortions related to asymmetric CO_2 constraints. They should be designed with the aim of bringing fair and proportionate **emission mitigation incentives** leading to cost-effective CO_2 reduction measures whilst **ensuring a global level playing field**. To this end, the following key-design principles have to be used as a basis:

- ✓ avoidance of distortive effects;
- ✓ environmental integrity;
- ✓ transparency and integrity;
- ✓ good governance.

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[1] China, EU-27, Japan, United States, Russia, India, South Korea, Ukraine, Brazil, Turkey
[2] Worlsteel, 2012
[3] Brazil, Russia, India and China accounted for 55% of global production in 2012