

## **RHI calls for legal and planning security for ETS**

**In 2003, the EU states agreed on the introduction of an emission trading system (ETS) as a central component of the EU climate policy in order to achieve defined climate protection targets. The ETS is intended as a market-based instrument, which is to promote the reduction of emissions in a *cost-effective and economically efficient manner* and to give industry *certainty and predictability*<sup>1</sup>. The amendments to the ETS in April 2009 were supposed to create the basis for the third trading phase starting from the year 2013. With the proposal for 'set asides'<sup>2</sup> presented now shortly before the beginning of the third phase and the related changes in the ETS regarding an increase in certificate prices, the Commission is counteracting the approach of planning security and cost-effectiveness. Moreover, it interferes with the ETS in a legally questionable manner. RHI rejects this and calls upon the Commission to respect the original political will and all resulting legal consequences.**

### **RHI is clearly committed to climate protection and resource efficiency.**

RHI, a world market leader in high-grade ceramic refractory materials, is clearly committed to climate protection and resource efficiency. We contribute to these goals by continuously investing in innovative technologies and processes designed to reduce CO<sub>2</sub> and to increase efficiency. In 2011, RHI allocated 16.3 million euros to environmental measures, which is equivalent to approximately 13% of RHI's total investments in 2011. In addition, RHI introduced an energy management system (EnMS) designed to systematically save energy throughout the group. RHI has its own global research and technology center in Leoben, Austria, and fully contributes to ETS.

### **CO<sub>2</sub> price no appropriate tool for innovation policy**

The current discussion and proposals for set-asides assume that an increase CO<sub>2</sub> price will provide stronger incentives for investments. RHI supports the ETS as a market-based tool for the reduction of emissions in industry. However, technological innovation cannot be driven solely by the CO<sub>2</sub> price. Rather, the EU must create positive incentive and financing systems for technological developments which support companies rather than 'punishing' them.

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<sup>1</sup> See wording of Directive 2009/29/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 23 April 2009 amending Directive 2003/87/EC so as to improve and extend the greenhouse gas emission allowance trading scheme of the Community

<sup>2</sup> Proposal for amending the ETS DIRECTIVE No. 1031/2010 on the timing, administration and other aspects of auctioning of ETS certificates pursuant to Directive 2003/87/EC and 'clarification' in Article 10(4) of the ETS Directive (2003/87)

### **No 'one-size-fits-all' solution for all industry sectors**

Moreover, RHI is convinced that an artificial increase in the price of CO<sub>2</sub> is no one-size-fits-all solution for the entire ETS sector. Rather, an artificially high CO<sub>2</sub> price will harm those industries in the EU whose CO<sub>2</sub> emissions are raw material related and therefore unavoidable<sup>3</sup>. At RHI, three quarters of all emissions are related to raw materials. Since no technologies to avoid CO<sub>2</sub> can be applied for those emissions, the CO<sub>2</sub> price cannot create incentives for investment in such cases. The industries affected are forced to buy additional certificates at higher prices, thus weakening their competitiveness.

### **EU Commission has no power to interfere in the ETS in such a way**

The change proposed by the Commission as part of comitology procedures lacks the legal basis within the ETS Directive. It also disregards parliamentary participation and control, which are required for such far-reaching decisions.

The ETS Directives only gives the Commission the right to intervene in the market when CO<sub>2</sub> prices are too high in order to reduce the burden on the economy. This also corresponds to the aforementioned objective of the Directive to promote the reduction of emissions in a **cost-effective and economically efficient manner**. However, the Directive does not allow the Commission to take measures to obtain price increases when CO<sub>2</sub> prices are too low. It is neither authorized to temporarily reduce the number of the CO<sub>2</sub> certificates to be auctioned in the member states, nor to permanently reduce the tradable amount of CO<sub>2</sub>.

### **Industry needs planning security**

The intention of ‚set asides‘, which has now been concretized by the Commission and which subsequently also puts the structure of today's ETS and the complete removal of certificates up for discussion, must also be rejected from an industrial policy perspective.

The measures discussed create **planning uncertainty for many years to come** for the industry, before the third phase of the ETS has even started. ‚Set asides‘ or a complete removal of certificates are in stark contrast to the communication ‚A stronger European Industry for Growth and Economic Recovery‘<sup>4</sup> published by the Commission. .

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<sup>3</sup> Raw magnesite (magnesium carbonate MgCO<sub>3</sub>) consists of 50% magnesium oxide and 50% CO<sub>2</sub>, which is a natural component of raw magnesite. When raw magnesite is converted to sintered magnesia (magnesium oxide MgO), the CO<sub>2</sub> bonded in the raw material is fully released. Therefore, CO<sub>2</sub> is inevitably emitted in the production of a ton of magnesia. A reduction of such CO<sub>2</sub> emissions is therefore not possible.

<sup>4</sup> Communication of the Commission of 10.10.2012

Here the Commission states that sustainable growth, which is urgently needed in Europe, and high-quality jobs are created by industry; that industry requires planning security in order to be able to operate successfully and be innovative. It is precisely this statement that is now counteracted by the Commission through its own actions when it doubts, discusses and wants to change the ETS, which is about to enter the next phase.

**RHI calls upon the Commission, the European Parliament and the Council to respect framework conditions and decisions that have been adopted. When the ETS was adopted, it was the declared political will to (1) set long-term targets until 2020 and to (2) set a predictable path for the reduction of emissions, in order to (3) provide planning security for industry. This is counteracted in an irresponsible manner by the current plans as the ETS Directive does not have the objective to promote innovation and the measures are contrary to EU law. The ETS is a market-based tool, which is intended to promote the reduction of emissions in a cost-effective and economically efficient manner and to give industry security and predictability.**

***About RHI AG:***

*RHI AG is a world market and technology leader in high-grade ceramic refractory materials. As a global player with Austrian roots, RHI employs approximately 8,000 people at 32 production sites in Europe, North and South America and China, and is represented by more than 70 sales offices on four continents. The headquarters is based in Vienna, Austria. In the financial year 2011, RHI realized revenues of EUR 1,758.6 million. The RHI share is listed on the Prime Market of the Vienna Stock Exchange (ATX).*

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