9th April 2013, Brussels

Growth and Employment first: Energy-Intensive Industries warn against competitiveness impacts of proposed changes to the EU ETS

The increase in ETS prices targeted by the Commission through short-term intervention will further increase energy prices and by the same token, competitive imbalance between EU and overseas Energy Intensive Industries. The revision of the EU ETS Directive, which would leave more room for the Commission to intervene in the timing of auctions, also induces greater uncertainty for industry. Therefore, the Alliance of Energy Intensive Industries urges Members of the Parliament and Member States' representatives to reject this proposal, which will alter the nature of the EU ETS. If approved, this proposal will not prevent industry closures and carbon leakage but rather relocate investments in manufacturing industry outside Europe.

Following the fundamental divergence of views between the Industry Committee and the Environment Committee of the European Parliament, all Members of the European Parliament will be asked to vote on the Commission proposal amending the EU ETS Directive, which should lead to a change in the timing for auctioning emission allowances (so-called "back-loading").

The Alliance of Energy Intensive Industries, currently representing more than 30.000 enterprises and directly employing more than 2.5 Million people in the EU, urges the European Parliament and Member States to reject the Commission's proposal on the following ground:

- **Increase in ETS costs will push up operating costs for manufacturing industries** that emit CO2 directly. Despite partial relief through free allowances, this will affect competitiveness;

- **An artificial rise in ETS prices will push up electricity prices**
  Costs imposed on electricity providers will inevitably be passed on to private and industrial consumers through higher power prices. In the case of industrial energy consumers, recent Commission analysis highlighted that energy costs (electricity) in the EU are twice as expensive as in competing regions such as the US, Korea or Canada. Short-term intervention with the overt intention to artificially increase ETS costs will further add to this competitive disadvantage, as European industry cannot offset these additional costs.

- **Increasing uncertainty for investors will also further delay economic recovery**
  In the face of recent plant closures, restructuring and lay-offs throughout the whole value chain of European manufacturing industry, the EU should avoid intervention that would add to the cost burden of its economic base and make climate policy less predictable. The European industry

has been struggling for almost four years with recession conditions brought about by the financial and economic crisis. Unemployment has climbed to 25.9 million or 10.7 per cent in the EU 27 in December 2012, a historically high level.

Investments are much needed to reinvigorate industrial production and reestablish growth but the Commission proposal to intervene in the market would create a framework which no longer provides legal certainty.

Any structural adjustment of the ETS should be the outcome of a thorough review of longer-term objectives, taking a broader view of climate, energy, industrial factors (i.e. technical and economic feasibility), while taking into account the global situation.

- **The proposed amendment of the ETS is unnecessary as the EU's climate objectives will be met anyway.**

The EU's carbon emission reduction objective for 2020 will be reached even at low price due to the limited number of allowances representing the overall cap of the EU ETS. Currently, the carbon price reflects the economic downturn exactly as it should do.

- **Energy Intensive Industries stand fully behind the ETS as a major instrument for Europe's climate ambition.**

By rejecting back-loading, the Alliance wants to ensure that the EU-ETS stays as initially foreseen a cost-effective and market-based instrument and that its nature is not altered. The revision of the EU ETS Directive as proposed by the Commission would give additional and unjustified discretionary power to the Commission.

Energy Intensive Industries are ready to participate in establishing a framework for EU ambitions beyond 2020 which will address the longer-term picture.

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