



24 January 2017

We, the signatories of this paper, energy-intensive sectors representing about 2 million jobs in the EU and comprising many SME's, are under direct impact of the EU ETS and are recognized as exposed to carbon, investment and employment leakage.

We ask Members of the European Parliament to acknowledge the mutual importance of our sectors for the EU economy, in particular for European jobs in your constituencies, and all our economic value chains by **fully rejecting any “tiered approach” to free allocation and voting against it.**

In order to ensure an equal level playing field for all energy-intensive industries, we **call for the rejection** of all approaches which aim at discriminating a few from other sectors exposed to carbon leakage risks, namely: **the “tiered approach” to free allowance allocation, the “tiered CSCF” and the “import inclusion mechanism”.**

This discrimination between industrial sectors goes against the principle set in the October European Council Conclusions that best performing companies in ETS carbon leakage sectors should not bear further carbon costs. Indeed, it would ensure that even best performers in most sectors would bear significant carbon costs.

We appreciate that all policy makers want to avoid undue carbon costs to industry and the triggering of the cross-sectoral correction factor (CSCF, reduces benchmark-based allocation to undertakings). The fairest and most effective way to provide eligible companies with the allowances needed for controlling the carbon leakage risk and still avoiding the CSCF is to increase the free allocation share and to reduce the auctioning volume accordingly. However, **we are concerned by the ENVI proposal to exclude only certain sectors from the application of the CSCF, via the so-called “tiered CSCF”.** Other sectors in turn would be severely undersupplied. Again this approach would arbitrarily differentiate between different European industries. Protection of some sectors should not be achieved at the expense of the others. Such segregation would also bring into question the environmental integrity of the scheme.

Moreover, **we are alarmed by the late introduction of an entirely new proposal for an “import inclusion mechanism” for sectors with lower trade intensity.** This is discriminatory, legally questionable and would limit the ability of certain sectors to compete on a level playing field. The notion is contrary to the principal idea of the carbon leakage risk assessment being based on two main criteria (trade intensity and CO<sub>2</sub> intensity) as the “import inclusion mechanism” only considers the former. Finally, it goes against the Paris Agreement which does not contain any suggestions allowing for unilateral trade measures. Overall, it introduces a major change to the future of the ETS scheme increasing the legal uncertainty for the ETS reform post 2020.

**We reiterate our opposition to any differentiation between the energy intensive industries and under any form of the “tiered approach” and ask you to reject it in the Plenary.**