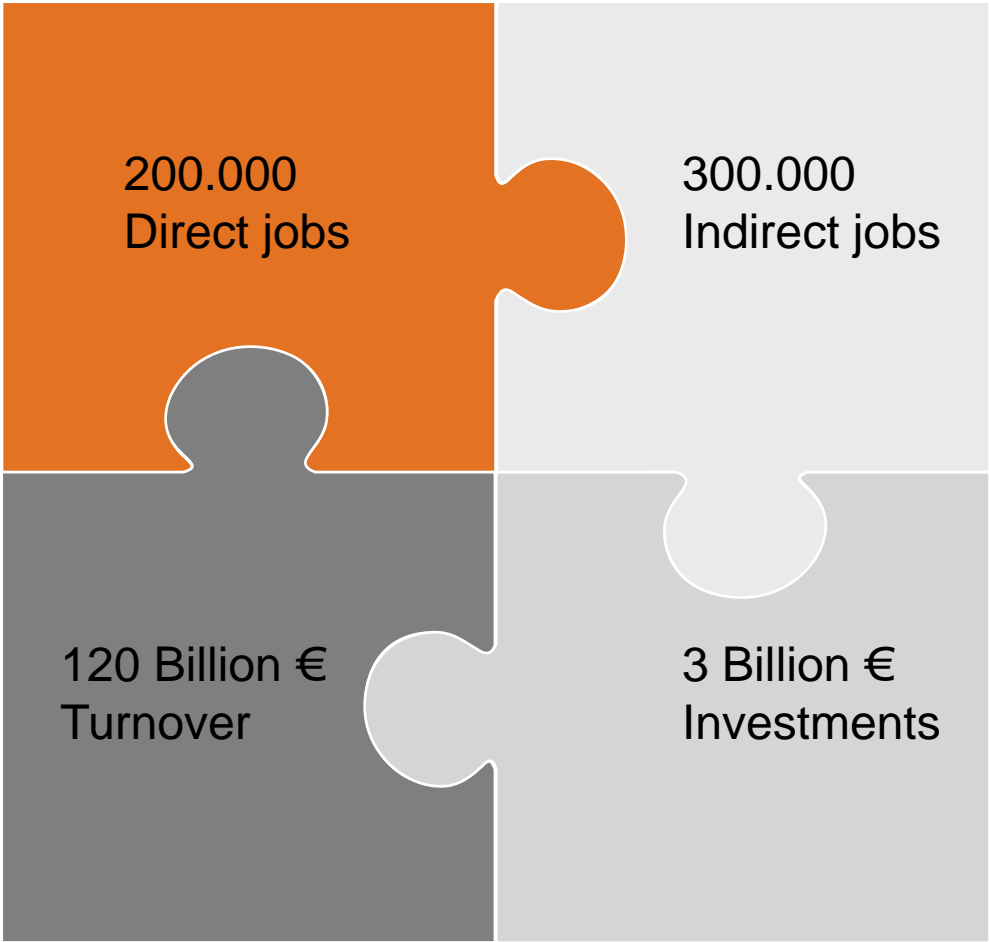


ETS post-2020

CCIM 30/09/2015



Our sectors in a nutshell



Agenda

- Big picture ETS
- ETS-revision
 - October 2014 Council Conclusions
 - July 2015 EC Proposal: comments industry

Big picture ETS

ETS as part of the climate package

Market system

- Exchange of emission rights **in the EU**
- Aimed at **reducing industrial emissions** of greenhouse gases of the power sector and manufacturing industry
- At the lowest cost

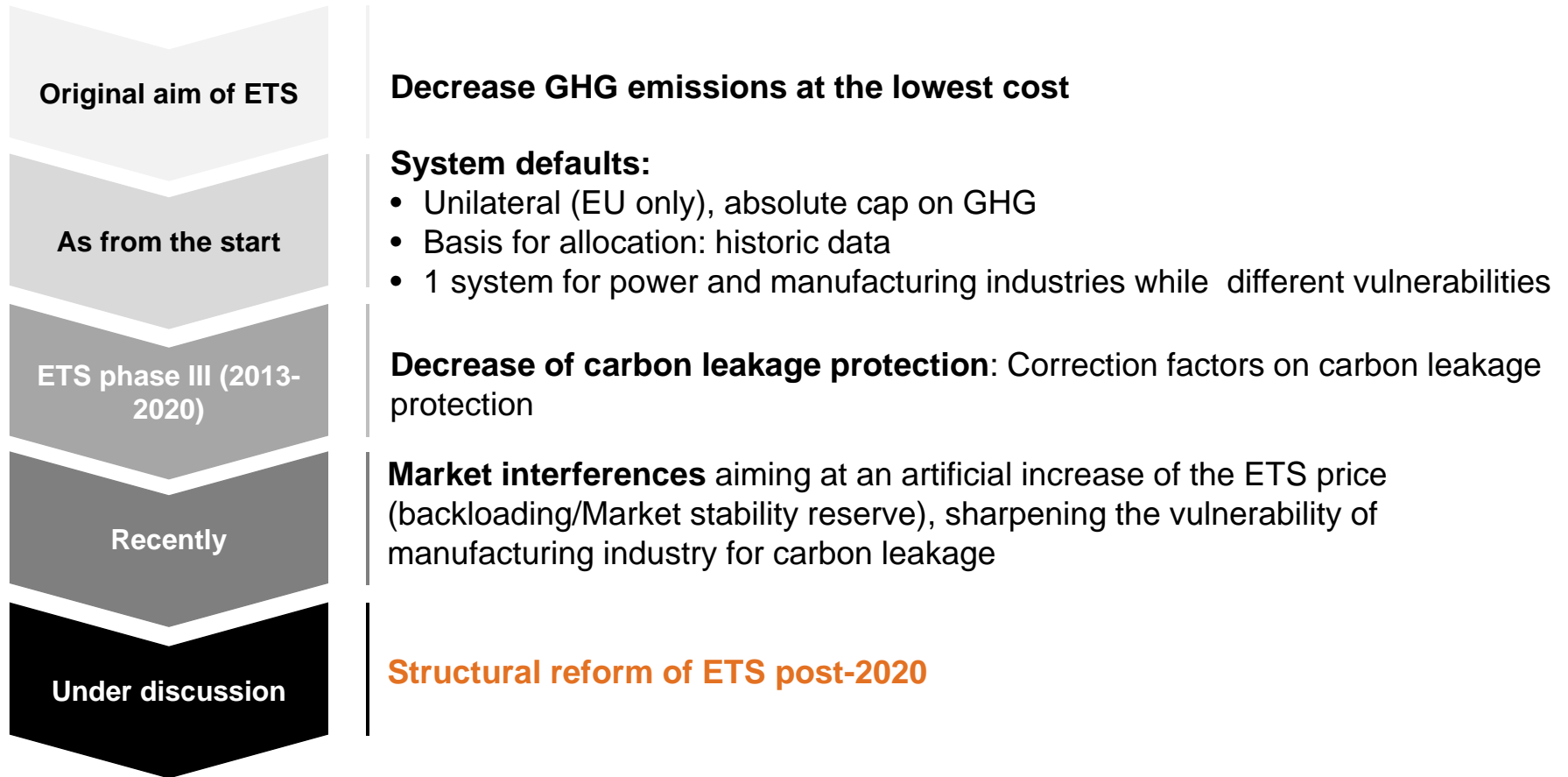
Cap

- **Overall volume of greenhouse gases** that can be emitted
- Fixed in advance and cannot be exceeded,
- Regardless economical evolution and the speed of technological progress

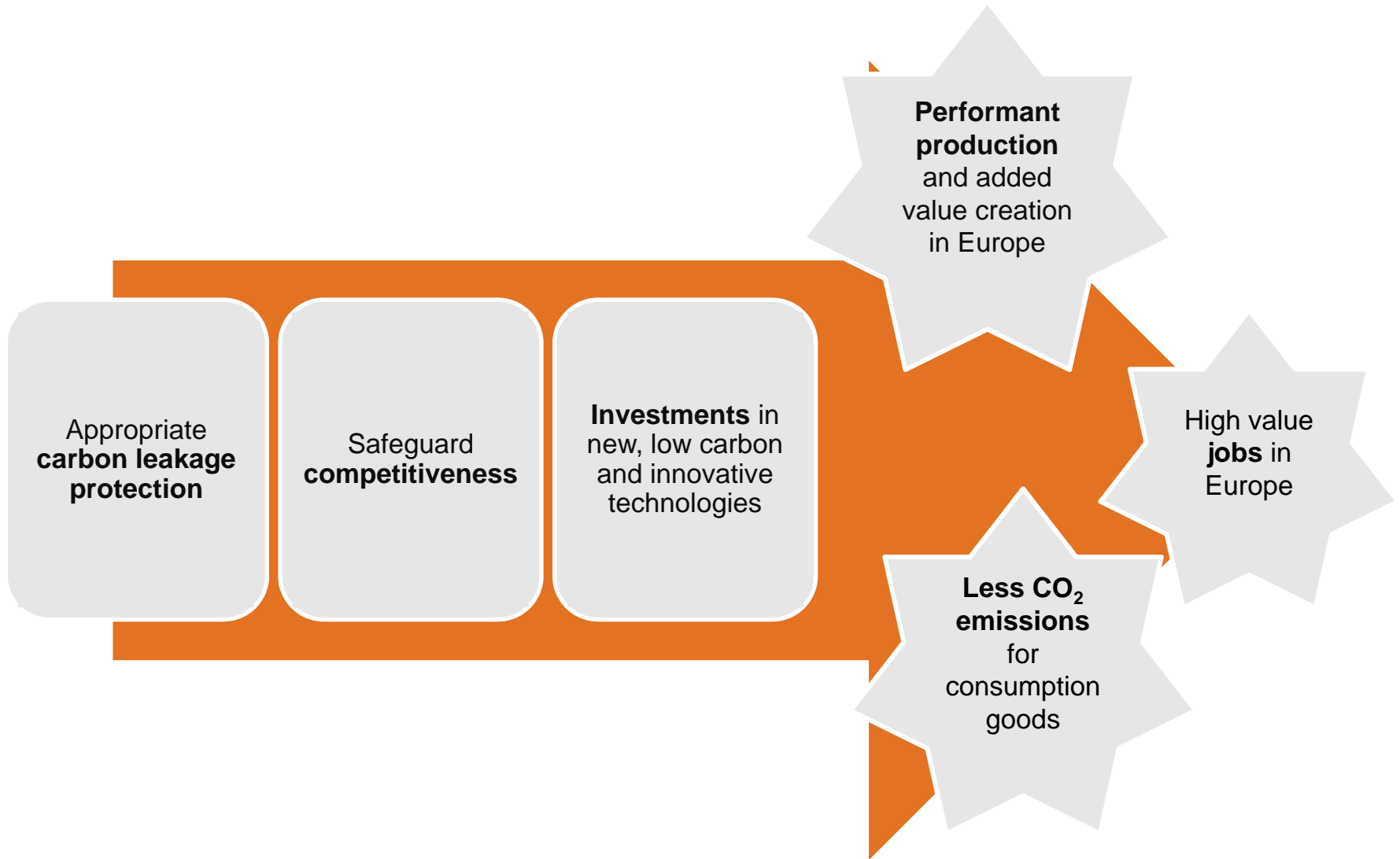
Allocation

- To **safeguard the competitiveness of the industry** vis-à-vis other regions
- Whilst preserving the incentive to increase performance,
- For sectors at risk of carbon leakage

Evolution of ETS



ETS reform should aim at competitiveness

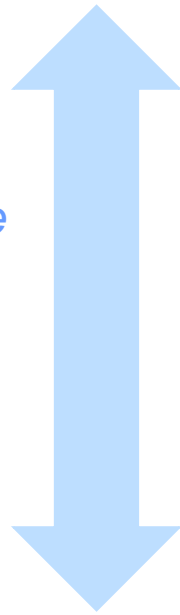


ETS-reform

October 2014 Council Conclusions

Strong focus on competitiveness and carbon leakage protection

How can this be aligned?



- *free allocation* will not expire
- existing measures will continue after 2020 to prevent the **risk of carbon leakage** due to climate policy, with the objective of providing appropriate levels of support for sectors at risk of losing international competitiveness
- **benchmarks** for free allocations will be periodically reviewed in line with technological progress
- both **direct and indirect carbon costs** will be taken into account
- In order to maintain **international competitiveness**, the most efficient installations in these sectors should **not face undue carbon costs** leading to carbon leakage.
- future allocations will ensure **better alignment with changing production levels** in different sectors
- the consideration to ensure affordable energy prices and **avoid windfall profits** will be taken into account

Focus on member states: to guarantee the income from ETS

- without reducing the **share of allowances to be auctioned**

How can the ETS create an attractive investment climate?

A structural ETS reform that allows the most performing installations to keep producing and to grow in Europe



Protection against carbon leakage is the catalisator for growth



The different dimensions of an adequate carbon leakage protection:

- **Carbon leakage protection** is an economic measure that needs to follow the dynamic of the economic conjuncture, **without correction factors for existing or new installations**
- **Carbon leakage list** must reflect real exposure.
- Need for **realistic benchmarks** based on real installations in Europe, and not on a theoretical development path.

The EC vs industry's proposition

Free allocation following the economy?

EC Proposition

Fixed auctioning share

Free allocation adjustment if needed

Based on more recent activity levels, with a 5 year update

Allocation for direct CO2 emissions

Industry's proposition

Allow growth

No application of correction factors on new or existing installations

Free allocation should be based on real activity levels to follow the economic conjuncture

Allocation for direct and indirect emissions

The EC vs industry's proposition

Carbon leakage protection for whom?

EC Proposition

Adaptation of the carbon leakage criteria based on a quantitative and a qualitative assessment

Restrictive criteria for the qualitative assessment

Industry's proposition

Criteria should reflect real exposure

No threshold for the qualitative assessment

The EC vs industry's proposition

Benchmarks for carbon leakage protection?

EC Proposition

Benchmark update every 5 years

Based on a fixed rate of 1% improvement per year

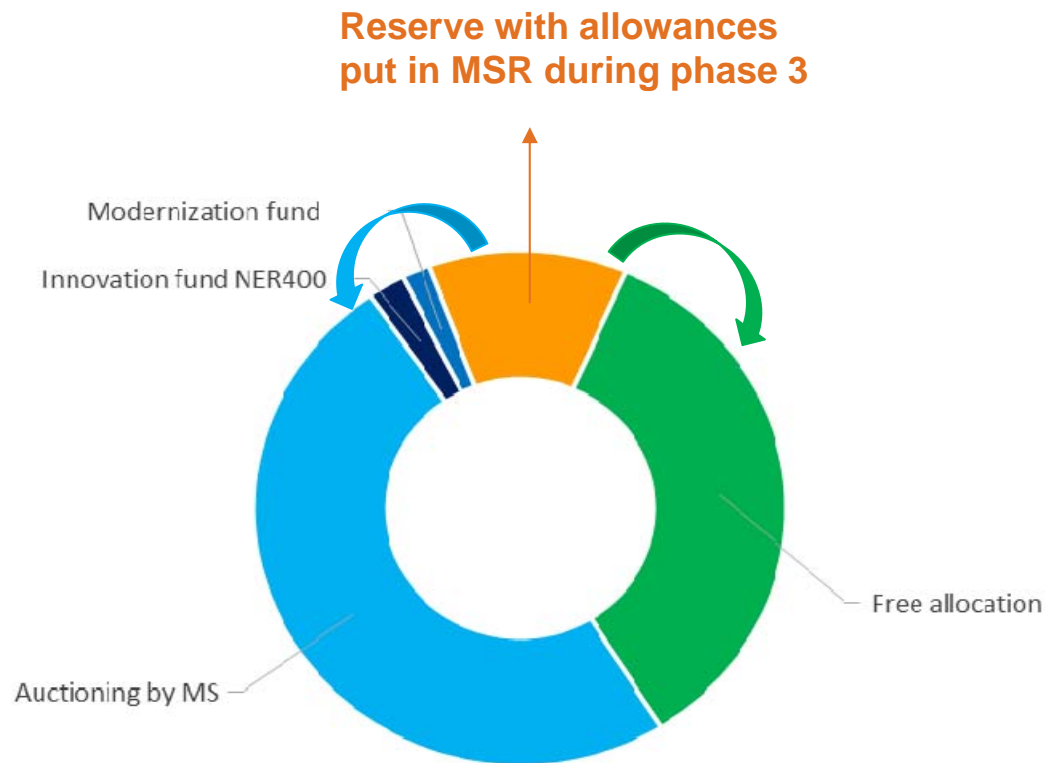
Industry's proposition

No benchmark update during the trading period

Based on real data of the most performing EU industries, without the application of reduction factors

Europe has the necessary instruments at reach

The surplus allowances of phase 3 (2013-2020) must be used to conciliate environmental goals and sustainable economic growth in Europe.



Conclusion

The ETS reform should aim at **safeguarding jobs** and production in Europe, as well as allowing for **sustainable growth**.

We ask the governments to actively take up this message and defend this position at European level.

Thank you for your attention

