EUROMETAUX
EUROPEAN ASSOCIATION OF METALS

ENC-067-13

European Commission
Directorate General Climate Action
Unit B2
B-1049 Brussels

CLIMA-CARBON-LEAKAGE@ec.europa.eu

Brussels, July 2013

Re: Contribution from EUROMETAUX (EU transparency register n° 61650796093-48) **to the stakeholder consultation on methodology for Commission decision determining the list of sectors and subsectors deemed exposed to a significant risk of carbon leakage for the period 2015-2019.**

Dear Sir/Madam,

Eurometaux is the Brussels-based EU association of the non-ferrous metals industry, representing the main EU and international metals producers, EU and international metal commodity groups and national metal federations. The industry covers base metals (Al, Cu, Pb, Ni, Zn, Sn Sb), precious metals (Au, Ag, PGM´s) and technical metals (e.g. Co, W, Cr, Mo, Mn, SI, FeS), manufactured from both primary and recycled raw materials.

Eurometaux hereby submits its **contribution to the stakeholder consultation on methodology for Commission decision determining the list of sectors and subsectors deemed exposed to a significant risk of carbon leakage for the period 2015-2019.** Eurometaux is a registered organisation in the EU transparency register (n° 61650796093-48).

EUROMETAUX wants particularly to point out that to change the list of sectors deemed to be exposed to the significant risk of carbon leakage every five years has very negative impacts on investment certainty in the industry. In addition, changing the list in the current economic situation would incur enormous extra costs for industry without any justified reason and without any environmental benefits. The carbon leakage list should remain as the main "shield" mechanism for the EU industries until such time as long as broad international agreement is reached and a global level playing field, ensuring the global competitiveness of the EU industry, is in place.

Eurometaux would like to stress the **following elements** when assessing the methodology and preparing the impact assessments for the list of sectors deemed to be exposed to the significant risk of carbon leakage 2015-2019:

1. The main aim of the review of the list was to **check if there is an international agreement** in place, as carbon leakage mechanisms were introduced as a shielded mechanism to protect the EU industry until such time. The aim was not to check if formulas could/should be changed. The list is a package of percentages, carbon prices and formulas fixed in the existing ETS legislation.

2. The decision on carbon leakage mechanism was taken at **the European Council** under the French presidency. Following Directive 2009/29/EC (Article 10a/13)[1] we would expect a similar process with the review of the list.

3. Carbon leakage prevention is, and should remain, **at the core of the EU ETS** to ensure its success. Measures to adequately protect Europe's industrial competitiveness are essential for industry's support to the system.

4. **Carbon leakage is investment leakage**. Current investment patterns are moving away from Europe due to a lack of regulatory transparency and predictability. In this respect, EU needs **consistent, stable and predictable** policies to deliver legal certainty over time. Eurometaux urges the Commission to take these elements into account when revising the carbon leakage list.

5. The overall industry emission **cap is fixed**. Changes to the list will therefore not add credits to be auctioned or increase the carbon price.

6. The list should primarily focus on the **most exposed sectors** that represent the major part of CO2 emissions. The Commission should consider the fact that most of the sectors qualifying on the basis of the trade intensity criterion have very low carbon emissions. In other words, Eurometaux is convinced that the changes in methodology will not shorten the list.

[1] 13. By 31 December 2009 and every five years thereafter**, after discussion in the European Council**, the Commission shall determine a list of the sectors or subsectors referred to in paragraph 12 on the basis of the criteria referred to in paragraphs 14 to 17.

7. We call upon the Commission to follow a **structured approach**. In this respect:

   a) The assessment level should remain at **NACE 3 and NACE 4**

   b) Use the **same baseline for trade** – EU 27 – the baseline data for the assessment (should) apply to the same baseline for GVA, turnover, trade, emissions and electricity consumption, as Croatia, Lichtenstein, Switzerland, etc. were not a part of EU ETS in 2008-2010. Same is valid for Australia, Japan, etc. as they do not currently have their systems in place, or for the periods from which the data should be used.

   c) A NET carbon methodology, as proposed by Ecofys in the report drawn up to assist the Commission in the determination of the new carbon leakage list**, is wrong, as it mixes the future with the past.**

   d) Use **30 EUR/tonne of CO2** as the carbon price. Legal analyses show this can be the only price used.

   e) Use a **marginal CO2 factor** for electricity as legally cleared in the Environmental State Aid guidelines. It would be very strange if sectors were to be compensated based on marginal factors and carbon leakage were to be calculated on the basis of the average electricity factor.

8. We ask the Commission for a **transparent process** allowing a high level of involvement by the sectors concerned. The data that will be used should be recognizable by the sectors concerned. We advise the Commission to pre-discuss the results with the sectors and allow a fair timeframe for comments. This should also include – upfront - a **clear definition of the methodology** that will be used for the process.

With kind regards,

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