Position Paper

Recommendations for the EU’s 2030 Climate and Energy Framework

In advance of the European Council’s 23-24 October conclusions on the EU 2030 climate and energy framework, Eurometaux, the European non-ferrous metals association, stresses the importance of ensuring long-term protection and compensation for industries affected by carbon leakage under the revised EU Emissions Trading System (ETS).

Indirect ETS costs have diminished the EU non-ferrous metals industry’s competitiveness

- Electricity costs comprise up to 50-60% of the total cost in primary production of non-ferrous metals (aluminium, copper, zinc, nickel, lead, precious metals etc.). Their electro-intensity is higher than almost all other commodities.
- Because metal prices are set through global pricing mechanisms, any additional regulatory costs cannot be passed on to the final consumer.
- The European non-ferrous metals industry became part of the ETS in 2013 (with no surplus of CO₂ allowances), but has been exposed to indirect ETS costs in higher power prices for a much longer period, since 2005.
- Electricity prices in European markets are set by the marginal producer, and fully reflect the increases of marginal costs in electricity generation due to ETS.
- Long-term investments have been hindered by volatile and increased long-term power prices, in addition to a lack of predictability for compensation of these indirect costs, which has so far been left to the discretion of Member States.

The EU’s 2030 climate and energy framework must provide long-term protection and predictability

1. Proper off-setting of the impact of ETS until a global agreement is in place

Eurometaux considers that the EU should not make any unilateral commitments on their 2030 energy and climate package before the United Nations Framework Convention on Climate Change (UNFCCC) in Paris in 2015. The European Council should reach agreement in October 2014 on the contribution the EU can make for reducing greenhouse gas emissions, in order to facilitate negotiations in Paris and with the ultimate goal for a global and legally binding climate agreement.

Until a global agreement on climate change provides level playing field conditions for non-ferrous metals industries at risk of carbon and investment leakage, best performers should not have any additional indirect or direct costs resulting from the revised ETS framework. This implies:
- **Full compensation** for indirect costs through an EU wide scheme (as currently given for direct emissions), linked to actual output and realistic benchmarks, thereby promoting industrial growth.
- Truly **100% free allocation** based on technically achievable benchmarks (including heat, fuel and process-based benchmarks), reflecting recent production, and without a cross sectoral correction factor.
- Consideration of structural reform elements to increase prices on emission allowances, such as the Market Stability Reserve (MSR), can be postponed and should **only be decided when the above measures have been determined**. If, however, such a reserve instrument is to be decided now, the European Parliament must include the provision for industries exposed to global competition to be fully compensated for the increased CO₂ costs in electricity prices.

2. **Development of a non-restrictive and predictable EU electricity market framework**

The 2030 climate and energy framework must also prioritise the development of an interconnected single energy market, which delivers competitive and stable prices for industry. This implies:

- Further measures to stimulate the EU electricity market’s development, with the aim to foster competitive markets **without political interventions**.
- A **removal of restrictions** on the ability to enter into long-term supply contracts in liquid markets.
- Acknowledgement that renewable energy sources (RES) generate **high volatility** in the EU’s electricity market, creating imbalances and high costs for market participants. All RES should therefore be **fully integrated** into the market.
- **Better recognition** of the non-ferrous metals industry’s contribution to stabilising Europe’s electricity grids and power production. As the share of RES increases, in a scenario of higher future EU targets, non-ferrous metals production facilities provide an important balancing tool and increase the security of energy supply.

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<tr>
<th>Eurometaux represents the European non-ferrous metals industry</th>
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<td>o <strong>The NF-metals industry is indispensable for modern society.</strong> Thanks to their intrinsic properties – including durability and multiple recyclability - non-ferrous metals are indispensable to meet essential societal needs and to build a low-carbon economy.</td>
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<td>o <strong>Non-ferrous metals contribute to European - and global - creation of wealth and jobs:</strong> the non-ferrous metals industry represents 2% of EU GDP and creates <strong>500,000 direct jobs and over 3 million indirect</strong> jobs in Europe. The use of non-ferrous metals in high-tech and high added-value activities makes them integral to the EU’s economy and competitiveness.</td>
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<td>o <strong>The NF-metals industry contributes to resource efficiency</strong> by enhancing the in-use phase of products and also thanks to high recycling rates ranging between 30% and 95%, depending on the metals and their use. Primary and secondary raw materials are complementary, as secondary raw materials cannot on their own meet the growing needs of a sustainable economy.</td>
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