

European Alliance of Energy Intensive Industries

Brussels, 2nd March 2011

Mr Martin Lidegaard
President of the Environment Council
Minister for Climate, Energy and
Building in Denmark

Re: Roadmap to a competitive low carbon economy by 2050

Dear President,

We understand that you will discuss and agree conclusions on the Commission Roadmap to a competitive low carbon economy by 2050 at your March meeting.

Europe has already started to move towards its long term goals with the Climate and Energy Package setting 2020 targets to which the energy intensive industries are committed. However, given the lack of progress in the global climate talks and the EU's economic situation, nothing justifies reconsidering this political agreement. **Therefore current 2020 targets on emissions should not be revised.** Further targets or policies should only be set once the Commission Roadmaps have been fully reviewed and tested. These must take into consideration technical and economic feasibility and must be dependent on the level of effort other major economies are committed to.

Despite encouraging signs from COP 17, no global agreement will be implemented before 2020 and the ambitions will be unclear at least until difficult negotiations are concluded in 2015. Until we have similar carbon constraints elsewhere, unilaterally raising Europe's goals will only accelerate the current trend of importing goods (and thus their embedded emissions) from regions without similar constraints, rather than manufacturing goods in Europe, with no reduction of global GHG emissions.

The Alliance of Energy Intensive Industries believes that it is premature to adopt firm targets based upon this Roadmap until the following steps have been carried out:

- **Firstly, there should be open access to the assumptions, data and models upon which the roadmap was founded, and a recognition of the limits for which models can be used.** The Commission roadmap has not been subject to any real debate amongst all stakeholders, yet it is presented as *the* single roadmap to 2050. Whilst it may be valid to use models to test different future options, the ability to establish a definitive model and rely on the results as far ahead as 2050 is highly questionable. The significant uncertainties in such an exercise must be highlighted more clearly and the model and its assumptions open to independent review.
- **Secondly, the Low Carbon Economy, Resource Efficiency, Energy and Transport roadmaps must be examined together.** Europe's energy systems will be key in determining how far and how fast the EU can decarbonize economically. It is premature to conclude on the overall economy wide roadmap until this has been reviewed and reconciled with the Energy and Transport, as well as the Resource Efficiency roadmaps.

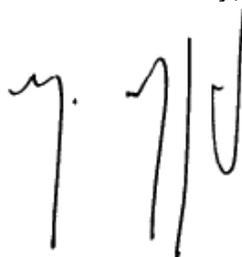
- **Thirdly, the potential impacts on the EU's economy, so far only considered on a macro level, must be examined at a more granular level within the EU:** this should include a closer look at effects on different industrial sectors. In addition, and as was requested by the EU Council in 2010, the long awaited assessment of impacts on Member States must be considered, since the impacts of policies on industries and jobs, positive or negative, will be felt locally first.
- **Fourthly, and by no means least, this roadmap must better consider the EU's interaction with the rest of the world and include measures for competitiveness.** An EU economy which is both "low carbon" and "competitive" is indeed a compelling vision. However, as Commissioner Hedegaard herself stressed leading up to COP 17, the EU together with potential next-stage Kyoto co-signatories will only represent 16% of global emissions (EU share 11%), so EU pathways must recognize our dependence on global decisions and energy markets. Whilst this roadmap attempts to set out a unique pathway to 2050 with EU-only targets for "low carbon", it does not adequately address, nor set out measures, for Europe's future "competitiveness" in a global economy.

Europe's future competitiveness depends upon increasing investment, as well as a greater focus on R&D. It is clear that simply setting hard targets will not necessarily produce the breakthrough technologies needed for ambitious emission reductions, nor the required investments. Simply acknowledging the risks of carbon leakage but not acting adequately to mitigate them will not help Europe reach the balanced industrial infrastructure needed for employment and competitiveness.

Setting unilateral more ambitious EU emissions reduction targets for 2030 and 2040 while ignoring at the same time the limited - if any - mitigation efforts third countries are prepared to make will not help investment in the EU. The high cost incurred unilaterally by the EU, combined with too many unknowns as a result of policy decisions constantly called into question, will not deliver the security which investment requires.

An intensive debate on, and review of long term plans over the next one to two years does not prevent Europe taking "no regret" actions. These include measures to improve energy efficiency, especially in end use sectors and through cost effective actions, greater focus on the development of technologies which will provide cost effective options to lower emissions and steps to modernize the electricity infrastructure. However, given the speculative character of the underlying modeling assumptions, the Commission Roadmap may not set us on the right path. **Therefore we strongly advise against the unconditional adoption of the Commission Roadmap or of any milestone and measure derived therefrom.**

Yours sincerely,

A handwritten signature in black ink, appearing to be 'G. Moffat', written in a cursive style.

Gordon Moffat, Director General of EUROFER
On behalf of the industries below

cc: the Council of the European Union's permanent representatives

The Alliance of Energy Intensive Industries

Europe's energy-intensive industries have an aggregated turnover of more than 1000 billion Euros per year and provide direct employment to over 3 million people. These industries are fundamental to Europe's entire economic fabric and support downstream processing and employment through the entire value chain. They also contribute to Europe's R&D, innovation and technical excellence, as well as to European balance of trade and through economic value added and taxes to the economies of its Member States.

