Brussels, 9 September 2015

With reference to the Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments, the European Association of sugar manufacturers as an energy intensive industry currently included in the carbon leakage list, would like to raise the following fundamental points:

Specifically the EU beet sugar sector will also be undergoing a reform in 2017, which will result in longer beet processing campaigns. The sugar industry therefore requires legislative predictability in line with the average heavy industrial investment cycle that may reach several decades. The revision should therefore be carried out in close cooperation with installation operators.

1. **Validity of Certificates (Article 13**). In order to further reinforce legislative predictability, certificates from the previous trading period that are still valid should be transferred to the new trading period after 2020. Moreover the validity of the certificates for the 2020-2030 trading period should not be pre-determined to last 10 years. Therefore it should be made clear that the certificates from 2021 have indefinite validity.

2. **Free allocation (Article 10a**) is currently based on the average of the top 10% performers, meaning that only about 5 out of 100 installations in theory receive 100 % free allocation and all others incur costs. However, even for the most GHG-efficient European sugar factories the amount of certificates allocated for free does not cover their demand. This is due to the fact that certificates are not allocated for the self produced electricity of the factories in CHP plants and because free allocation is reduced through the cross-sectoral correction factor.

   For the upcoming period an additional horizontal cut of the benchmarks by 0,5 – 1,5 % per year is foreseen. This adds costs even for the most GHG-efficient producers and thereby discourages efficient investments and growth. This approach is not sustainable and does not protect against carbon leakage.

   We would therefore support **removing the cross-sectional correction factor**.

3. Moreover any update of the allocation benchmarks must also reflect the carbon leakage risk, i.e. it must be ensured that the carbon leakage protection is not compromised. An **update of the benchmark levels should only take place between trading periods** and not within a trading period. This would avoid that efficiency improvements during a trading period lead to a more stringent benchmark, as the latter could provide an incentive to delay investments if a company has several plants which would then have to bear a more stringent benchmark. Should a revision take place, the updating procedure must be performed sufficiently in advance of each trading period so that installations can work with reasonable planning horizons.

   The competitiveness of European industries has to at least be preserved if not strengthened especially when bearing in mind the competition with countries such as the US and China. Benchmarks should therefore be realistic by reflecting the use of the current energy efficiency technologies e.g. co-generation within the EU industry and wherever possible, be comparable to benchmarks in other schemes at global level. To ensure that the benchmarks level is technically and economically achievable**, benchmarks must be defined bottom-up, starting from real and representative performance levels**. This is especially relevant for the

EU sugar sector as the longer campaigns will not show in previous data, so we would envisage using the latest possible data measured from our installations.

Moreover as the sugar sector works in campaigns which are in line with the beet harvesting in autumn and last on average 120 days (EU 28, CEFS Sugar Statistics), seasonality should be taken into account to explain the differences of performance between campaigns in comparison to performance during the campaign. Seasonality is being taken into account for the revision of the Best Available Reference techniques for the Food, Drink and Milk sector under the Industrial Emissions Directive, so it should be applied to ETS also for reasons of consistency. Therefore allocation based on actual production levels would simplify the system and make it more bearable for the EU industry and the administration.

4. Indirect CO2 costs (article 10a paragraph 6). To provide a level playing field this compensation should not only be applicable for the electricity requirements of electricity intensive sectors but **also for sectors employing CHP to produce the electricity demanded by their own production processes**.

5. Small emitter's rule (article 27 and article 11 paragraph 1). A binding solution at European level is needed instead of separate solutions at Member State level. A threshold will need to be determined, below which a small emitting unit/installation can be out of the scope of ETS. **We propose a cut-off criteria of 25.000 t $CO_{2eq}$/year per allocation element.**

6. **Care has to be taken to avoid high costs that will result from the proposed EU targets for 2030** along with the uncertainty regarding the future carbon leakage provisions. Such costs will build an obstacle for EU investments and will most likely limit efficient investments and the ability of EU industry to export efficient technologies. That's why the EU reduction targets are only acceptable with parallel provisions which allow fulfilling the EU target for a growing industry share. Furthermore, industry needs a clear political commitment, that EU climate policy - including targets - will be reviewed if by 2020 no global level playing field is achieved.

   The revision of the EU ETS should be done in harmonization with the development of the EU bioeconomy as the system of integrated biorefineries produce food, feed, biobased materials (e.g. bioplastics) but also renewable energy that will facilitate the EU industry in meeting the targets outlined in the Climate and Energy Package 2030. Sugar factories are biorefineries themselves as besides sugar and animal feed (from beet pulp and molasses), produce ingredients for non-food industries (e.g. cosmetics) but also electricity for their own processes. The excess electricity is sold to the grid. Other forms of energy include biogas and ethanol.