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EUROALLIAGES' REACTION TO THE EU ETS REVIEW PROPOSAL

EUROALLIAGES, the European association of ferro-alloys and silicon producers representing more than 95% of the sector, wishes to react to the European Commission's proposal for a review of the EU ETS published on 15th July 2015.

EUROALLIAGES is part of the Alliance of Energy-Intensive Industries that provided Commissioner Miguel Arias Cañete, upon his request, with a united statement on its vision and proposals for the EU ETS review.

EUROALLIAGES will further work with the European co-legislators in order to achieve a balanced EU ETS for the post-2020 period.

The EU ETS is a major issue for EUROALLIAGES' members and it impacts their **strategic choices** for the 2030 horizon.

EUROALLIAGES' members support the EU ETS and currently see the **need to carefully improve the proposal** published on 15th July 2015 along the following lines:

1. **Energy cost is a growing issue in Europe**, especially for energy-intensive industries such as the ferro-alloys and silicon sector. Efforts should be strengthened in order to achieve a harmonized EU energy market and its regulations. The impact of the CO_2 cost passed through in electricity prices needs to be adequately taken into account, considering the present disparity on the State aid received across the EU and the unpredictability attached to this system. **The post-2020 EU ETS must include a harmonized EU-wide system for full compensation of indirect emissions (up to the benchmark level).**

2. The ultimate solution to combat climate change is a global carbon market with a unified price. Until such a system is put in place, Europe needs to continue recognizing the **absence of global level playing field** and keep in place the policy aiming at balancing this absence.
   - EUROALLIAGES' members appreciate the proposal which appears to put **all energy-intensive sectors on the carbon leakage list**, including the ferro-alloys and silicon sector.
   - However **EUROALLIAGES' members oppose to arbitrary reductions of free allocation** which are not in line with the October 2014 European Council conclusions indicating that best performers should not incur "undue costs".
     - To us, "**undue costs**" are all costs that are faced by European industry only, in opposition to non-European industry, which leads to an unlevel playing field and thus to carbon leakage.

- **The future EU ETS must include appropriate benchmarks based on real data and on the technically feasible abatement potential of every sector, without arbitrary reductions.**
- **There is a need for a thorough and transparent review of fallback benchmarks to remove red tape and improve feasibility by providing correct incentives for realistic emissions cuts based on the technological development in each sector.**
- The global competitiveness of European industry must not be further eroded. The sectors on the carbon leakage list must be protected to the extent needed and **no cross-sectoral correction factor should be applied**. There can be no "industrial renaissance" and industrial sustainability without effective support to European industry, which plays a crucial role in the European economic recovery.

- European policy should support economic growth. **A system of dynamic allocation would be the best way to promote investments in industry.**

3. The EU ETS review proposal rightly focuses on **innovation** which is indispensable if the EU is serious about its ambitious emission reduction targets. **There is a need to effectively grant financial support to industrial innovation at adequate level and to reduce red tape for European projects.**

4. **Auctioning revenues for Member States** should serve the whole society, as the industry is serving it through value, jobs and growth creation. **There must be no limitation to auctioning revenues reinvested in European industry (for protection against carbon and investment leakage and for innovation).**

5. **Climate change is a global issue** which cannot be effectively combatted through isolated action. **The EU should assess its commitment in light of the results of the Paris conference, ensuring competitiveness for ETS sectors and thus securing European employment and growth.**

6. The introduction of a **new procedure for delegated acts** (the so-called "Lisbonisation") brings along serious worries about the independence and the impartiality on crucial issues such as carbon leakage and auctioning. **EUROALLIAGES' members call on the European Institutions to limit the occurrence of this delegation procedure and to put in place efficient and sufficient scrutiny mechanisms.**