ifiec europe
international federation of industrial energy consumers

securing competitive energy for industry

Mr Joaquín Almunia
Vice President and Commissioner for Competition
European Commission
Rue de la Loi 200
B-1049 Brussels

Brussels, Nov. 15th 2011

EU-ETS: COMPENSATION OF INDIRECT EFFECTS

Dear Mr Commissioner Almunia,

We refer to your speech last Friday in Berlin clarifying the EU Commission's position regarding the developments in the State Aid Policy, particularly referring to the compensation for indirect emissions.

The compensation, limited to stringent electricity consumption benchmarks, was included in the EU ETS Directive after a long discussion on how EU ETS can make an effective climate change policy instrument to cut emissions in cost-effective ways without leading to an increase of global emissions by relocating productions from the EU into Non-EU-States.

Energy intensive industries (EII) strongly object to receive only partial compensation as well as further progressively diminishing aid. This will reduce investments and promote carbon leakage. We instead require a proper realization of the compensation mechanism. The mechanism with the challenging electricity benchmarks hereby will totally sustain the strong incentive for further efficiency and saving improvements and thus would not be to the detriment of other sectors and players. The overall ETS aim to cut emissions globally is especially safeguarded with an implementation of a strong compensation framework through avoiding carbon leakage. Furthermore, any poor or partial rules for the compensation scheme will break the trust of our industries in the Commissions´ willingness to strengthen the competiveness of European EII.

Referring to your statements we are worried that the number of sectors is set too limited by the Commission. The eligible sectors have to be set as identified in the carbon leakage list. Anything else would not be congruent to what has been agreed on concerning the compensation of direct emissions.

Furthermore, we do not agree that extra costs should be charged to the companies because this takes away their incentive to invest for innovation or for energy efficiency improvement. Regarding energy efficiency, EII have already invested in the past to save energy and to improve competitiveness. The core of the EU 20-20-20 strategy aims at developing the EU into a globally successful business location and it is time now to give companies the right investment visibility. EII should not be taken away the financial ability to invest in their installations and to strengthen their international competitiveness by exaggerating cost burdens due to climate change policies.

Rue Defacqz 78, box 1, B1060 Brussels; **tel** 32 2 888 52 69: **fax** 32 2 275 53 11: **email** ifieceurope@ifieceurope.org:
web www.ifieceurope.org
a.i.s.b.l. NI 436 343 513

Let us make one point absolutely clear: EU´s EII is desperately in need of this compensation mechanism to continue their activities in the EU with the clear expectation, that the existing disadvantages towards their international competitors, caused by EU ETS already since 2005, will be healed at least from 2013 on.

We are looking forward receiving your Guidelines for environmental state aid without any further delay, containing the right conditions (allowing full cost compensation without any reduction factor) to maintain global competitiveness. IFIEC believes that it is high time to provide confidence to the future for EU energy intensive industries. Therefore we hope that we will have a clear and justified solution before the end of 2011.

Yours sincerely,

A. Loske

Dr Annette Loske
Chairwoman WP Climate & Energy Efficiency, IFIEC Europe
and
Managing Director of VIK Verband der Industriellen Energie- und Kraftwirtschaft e.V.

IFIEC Europe represents energy intensive industrial consumers where energy is a major component of operating costs and directly affects competitiveness.