

IFIEC Position

EU consultation on Climate Ambition for 2030 and for the design of certain climate and energy policies of the European Green Deal

23 June 2020

IFIEC Europe welcomes the opportunity provided by the European Commission to give input on the public consultation on the EU's climate ambition for 2030 and for the design of certain climate and energy policies of the European Green Deal. It is not possible to answer the questionnaire completely, because the given possible answers do not always represent our views. Therefore please find our position on the relevant topics for inclusion in the consultation.

Part I: General Public Consultation

1. EU's Greenhouse gas reduction target for 2030

IFIEC stresses that the European Commission is to first carry out an Impact Assessment (IPA) on the economic, social and environmental impacts of an increased greenhouse gas (GHG) target in 2030. In order to meet new proposed targets, the EU needs a competitive energy-intensive industry that continues to develop sustainable innovations, products and jobs. Therefore industry needs increased support with regard to technology development, demonstration and market uptake, as well as access to competitive, predictable low carbon energy systems and markets for low carbon products. The societal costs resulting from climate adaptation and mitigation must be carefully assessed and addressed through necessary legislative updates. The most cost-efficient and internationally sound burden sharing between ETS and non-ETS should apply. Carbon leakage risks and relevant carbon leakage measures must be an inherent element of the IPA. Legislative updates should address regulatory barriers that hinder industry from reducing greenhouse gas emissions while remaining competitive and innovative in Europe.

2. Energy Efficiency ambition for 2030

Implementing energy efficiency measures remains important to reduce energy usage and GHG emissions. However, this will not be sufficient to reach climate neutrality by 2050 since energy will always be needed for production, transport and heating purposes. New, disruptive and innovative technologies can be energy intensive. Energy efficiency -and not energy reduction- should therefore be pursued in the Energy Efficiency Directive (EED). The central target of the EED should be indicative, allowing industry to implement the (energy intensive) technologies needed to reduce their GHG emissions, i.e. the ultimate goal, without being hindered by limitations on the energy demand. The EED articles, requiring a linear reduction of the final energy use, cannot be maintained in the current format. Additionally, if the 2030 target is revised, a revision of the Energy Performance of Buildings Directive should be considered as an important legislative instrument to contribute to the climate ambition.

3. Renewable energy ambition for 2030

The challenge of decarbonising of energy demand remains huge. In 2017 only 26.5% of total energy consumption is renewable or low carbon (13.9% renewable and 12.6% nuclear)¹. An increased share of renewable energy to reduce GHG emissions is important. Nevertheless, all climate neutral energy, also synthetic fuels and nuclear energy, will help to achieve the EU ambition of climate neutrality. Therefore also the RED target must be indicative. If the EED and RED targets would still be distributed across member states, cost efficiency should be the basis of the effort sharing.

4. Technologies and other solutions for the GHG-reduction in industrial installations (2030)

Innovation for climate investments will result in new technologies, helping society to reach carbon neutrality. IFIEC welcomes the plan to increase budgets for innovation and to make it part of the EU's industrial policy. Nevertheless, results from innovation will only gradually occur through development, demonstration and implementation (commercialization) of technologies. Currently, low-carbon technologies are in many cases not yet developed or demonstrated, nor have they reached a sufficient level of maturity/scalability. More cost efficient emissions reductions are therefore possible over time, but not necessarily before 2030. New competitive energy carriers to replace natural gas -the main energy carrier in industry- are yet to be invented. To speed up development (for example in the field of Circular Economy), existing innovation funds like the EU Innovation Fund should be strengthened.

Part II: Consultation for experts

1. Role of the different climate policy instruments (EU ETS)

IFIEC is not in favour of extending the current EU ETS to other sectors. It should first be carefully assessed how the most cost-efficient and internationally sound burden sharing between ETS and non-ETS should be applied when the target is increased. All sectors of the economy and society will need to contribute to the transition. The effort to reach the -40% goal by 2030 is currently divided between ETS and non-ETS and clearly puts a higher ambition level to the ETS sector (-43%, while -30% for non-ETS). In many ETS sectors, the potential to further reduce emissions without new breakthrough technologies is limited. At the same time, there is untapped cost efficient potential e.g. in the buildings, agricultural and transport sector remains and that other third countries do not mirror the level of EU industrial emission reduction ambition. The costs and increased carbon leakage risk of further reductions of GHG per ton of product in ETS-sectors must be compared with cost and risk of non-ETS sectors.

2. Addressing carbon leakage risk for energy intensive industry

The impacts of an increased target should be carefully assessed for each sector, including energy-intensive industries. Increased climate mitigation costs -resulting from a higher 2030-target- will increase the burden on sectors. Consequently, carbon leakage risks will grow when main international competitors do not follow the EU's climate ambitions. While the EU is responsible for a minor part of global emissions (<10% and its share is continuously shrinking)², the NDCs and climate policies or measures in other regions do not follow the EU ambition level and consequently, the required global

¹source:https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Energy_statistics_-_an_overview#Final_energy_consumption

² While EU and US have reduced their emissions with ~-20% in 2018 since 1990, other regions have a substantial growth (China +370%).

reduction path to avoid climate change is not achieved. Carbon leakage risks relate particularly to energy-intensive sectors, that compete and trade globally and cannot pass through increasing CO₂ costs. Specifically for EU ETS, the level of carbon leakage protection is insufficient. When the 2030 target is increased, free allocation could be radically shortened and investment uncertainty increased as a result of a possible CSCF. Therefore, an increase of the fixed share of allowances available for free allocation is needed to safeguard industry from carbon leakage.

3. Energy infrastructure and sector integration

A well-designed development of the network will be crucial to reduce the integration cost of renewables, to facilitate market integration and to increase competition on the electricity (and energy) markets. System costs are forecasted to continue to rise as a result of the growing share of low carbon electricity and changing energy production locations. New infrastructure might impact industrial consumers in terms of cost-allocation, affordability, flexibility and security of supply. These issues have to be addressed through a clear and predictable EU strategy, including a transparent assessment of the total system cost for end-consumers; taking full account of the energy transition, cost allocation between classes of consumer, and a cost comparison between flexibility options. This should include how the energy needed in Europe can be made available by production or import at an affordable level in a global context, including storage and flexibility options, and with the use of the most cost efficient energy carriers. New infrastructures for gas- electricity- heat, CCS and CCU require cross-border cooperation on energy exchange between member states and with third countries to find the most effective and efficient solutions.

4. Enabling conditions and policies for industrial transformation

Industry needs access to competitive low carbon energy to reduce GHG-emissions. The Commission should analyse impacts of an increased target on energy affordability, sustainability and security of supply. This is particularly relevant for energy-intensive companies, which rely on an efficient and predictable energy supply system and access to competitive energy prices. Further deployment of renewable sources means increasing intermittency and more volatile prices. Therefore cost-efficient and timely investments in infrastructure and more flexibility in the energy-system based on a profound assessment of the energy carriers and their origin (import or EU production) are needed to ensure security of supply. This requires political support and necessary financing. Moreover, we need a sound and robust accounting system for GHG-emissions. For industry, in an integrated system transition raw materials such as carbon, hydrogen, ammonia, etc. have a crucial role. Large volumes of climate-neutral energy will be needed in order to move to alternative feedstock sources. On the long term, CO₂ should no longer be qualified as waste, but as a valuable raw material (CCU). Carbon may be harvested via CO₂ in the atmosphere or sourced from production processes and ambient air. CCU fuels can be part of the solution towards climate neutrality and a framework to allow consistent accounting is needed to adequately support innovation for these CCU fuels.

About IFIEC Europe

IFIEC Europe represents 13 national European associations that comprise - on a cross-sectoral level - those industrial sectors for which energy is a significant component of production costs. IFIEC's membership represents a diverse set of industries including: aluminium, automobile, brewing, cement, chemical, copper, fertilizer, food, glass, industrial gases, metals, paper, pharmaceutical, plastics and steel.

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