international federation of industrial energy consumers

securing competitive energy for industry

**EP Environment Committee voting on ETS:
A missed opportunity to align climate protection
with economic development**

Press Release

The Environment Committee of the European Parliament missed a great opportunity to improve the EU Commission's proposal for the Emissions Trading regime post 2012. The chance to bring climate change policy and the EU's economic interests better in line was rejected in favour of adopting an almost unchanged EU Commission proposal. Making this choice gives approval to great uncertainty and of unnecessarily high additional costs to EU industry, economy and all consumers. This is the conclusion that IFIEC Europe, the federation of European industrial energy consumers, draws from yesterday's vote.

"Never more than today, when Europe's economy is threatened by an unprecedented financial crisis, a strong and prosperous industrial basis is a precondition for stability and security of our society", says Hans Grünfeld, President of IFIEC Europe. "However, the voting by the European Parliament's Environment Committee on a new emission trading scheme penalizes its industry with unnecessarily high costs. From 2013 onwards, industrial companies will have to buy CO_2 emission credits through auctioning. Instead of opting for an efficient and effective incentive to reduce emissions, the Environment Committee opened the way for a unilateral European scheme, presenting its consumers and industries with a bill which could exceed €50 billion per year".

Aside from the impact on inflation and energy poverty, today's decision provides an unprecedented risk for Europe's industrial competitiveness and survival. Any relief for companies facing worldwide competition will only be unveiled in 2010 – one year earlier than proposed by the Commission. This is insufficient to remove the threat of inactivity, reluctance to invest, or even withdrawal of production to other regions. The Environment Committee also decided to ignore calls for compensating electro intensive industries for the indirect effects of significantly higher electricity prices, thus further increasing hardship for the most affected companies.

"The Commission's studies on carbon leakage have made one thing clear: at any meaningful CO_2 price, in the majority of the industrial sectors, the threat of carbon, job and wealth leakage is real! When Europe is facing a serious threat to its economic well being, and chances for concerted international action are minimal, how can policy makers take the risk of unilaterally implementing an incredibly costly scheme instead of a better and cheaper alternative?", he asks.

The principle of allocating emission rights through auctioning has to be avoided for industry at least until an international agreement that provides for a level playing field is in place. Independent research has proved that the same CO_2 emission reductions can be realized by allocating credits based on an efficiency benchmark. As a result, an effective emission trading scheme can combine both ambitious climate protection goals without putting Europe's economic foundation at risk.

It is now up to the EU Parliament and the Council to take up this challenge and agree a truly effective and efficient new emission trading scheme.

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