



Brussels, 19 April 2016

Reaction to the tiered approach to carbon leakage protection

The signatories, energy-intensive industries express concerns regarding the so called “tiered approach” to carbon leakage protection under the EU ETS.

The tiered approach¹ would reserve free allowances for some sectors at the expense of others. It goes against the principle set in the October European Council Conclusions that best performing companies in ETS carbon leakage sectors should not bear further carbon costs. Indeed, it would ensure that even best performers in most sectors would bear significant carbon costs and expose them deliberately to carbon and investment leakage.

The proposed tiering has no environmental or economic justification and is based on flawed assumptions (“cost pass-through”) of in reality unpredictable market dynamics. Depriving sectors of carbon leakage provisions would not deliver decarbonisation through investment and innovation. Moreover, it could well prove to have been entirely unnecessary. All forecasts, including the Commission’s Impact

¹ i.e. as presented in a Non-paper on a Tiered Carbon Leakage List in Phase IV of EU ETS (authored by France, the United Kingdom)

Assessment, predict that there will be sufficient allowances available to ensure full free allocation to benchmark levels at least until 2025: and there are other proposals for ETS reform that would deliver full and effective carbon leakage protection without the need for arbitrary discrimination.

To that end, we continue to support an approach based on **realistic benchmarks, allocation based on more recent production data and an adequate reserve that ensures full allocation to benchmark levels**. The proposed share of allowances to be auctioned shall also be recalculated downwards, as analysis of the EC proposal shows, it does not properly include the number of allowances which were to be given out for free (i.a. unallocated and left-over NER allowances).

In the circumstances, the “tiered approach” would introduce an unnecessary and unfair discrimination between sectors. Fairness and solidity should become key principles of policy making. Jobs in one sector are neither more nor less important than those in other sectors.

The signatories fully share and support the BusinessEurope views on tiered approach as expressed in



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a statement on April 14th. BUSINESSEUROPE via

We ask you to create a framework that gives all sectors an equal opportunity to compete and thrive in Europe, and not to pick certain sectors to stay in Europe.

It would undermine our industry’s faith in, and support for, the ETS as a means of reducing carbon emissions.