



## Response to Commissioner Potočnik's comments on the EU Air Policy Review

Industry needs a predictable and realistically achievable set of measures; we therefore urge EU policy makers to set the ambition levels of the future air policy framework so that they remain consistent with the investments needed in the context of the upcoming 2030 energy and climate framework:

- The 2020 ceilings should be aligned with the Gothenburg Protocol objectives in order to preserve the short-term competitiveness of EU industries
- Setting 2025 interim targets should not lead to imposing measures that go beyond what is expected from the application of the current legislative framework
- The 2030 TSAP objectives should not be set beyond the 50 % gap closure scenario, in order to remain cost-effectively achievable

Promoting a competitive European industry should also be ensured, as underlined in the Commission Communication on Industrial Policy "A Stronger European Industry for Growth and Economic Recovery" builds on the "Integrated Industrial Policy for the Globalisation Era" adopted by the Commission in 2010 as part of the Europe 2020 Strategy with its main message that: "Industry must be placed centre stage if Europe is to remain a global economic leader"

### Background

By the end of this year, through the adoption of the forthcoming EU air policy package, the EU Commission will adopt a revised Thematic Strategy on Air Pollution (TSAP) including new national emission ceilings for 2020 and further emission reduction measures for up to 2030.

The upcoming regulatory package may therefore impact our industrial sectors through the revision of the TSAP objectives, the revision of the National Emissions Ceilings directive (NEC) and through the setting of new source regulations (e.g. medium size combustion units).

Setting overly ambitious TSAP objectives could lead to setting very tight requirements in industrial regulations, pushing plants towards best of BAT (Best Available Techniques for control of emissions/pollution) or even beyond the use of BAT should ceilings not otherwise be met, thereby raising costs for EU consumers and impacting on the competitiveness of EU industry and jobs.

## **Analysis of the TSAP report #10 presented at last SEG meeting (3<sup>rd</sup> April 2013)**

**The so called '2025 central policy scenario'** (derived from a 75 % "gap closure" between the emissions reductions required by current legislation and those under a maximum technically feasible reduction scenario - MTFR) **was established by IIASA (International Institute for Applied Systems Analysis) and modelled using the GAINS Integrated Assessment Model, in the absence of, inter alia:**

- a sensitivity analysis (consideration of how much outcomes are dependent on certain variables which are currently unknown) around alternative energy scenarios (models based on a different energy make-up, in terms of varying levels of coal, renewables, etc); deeply affecting both attainability and compliance costs);
- consideration of a relationship between binding ceilings and practical attainability if some sectors do not deliver their reductions (e.g. transport and NOx, agriculture and ammonia);
- the inclusion of real sensitivity analysis based on alternative and more recent studies aimed at monetising impacts
- an assessment of the advantages of setting ceilings in 2030 as an alternative to 2025

**Time should be given to consider all the above in order to arrive at a robust ambition-setting process.**

This robustness is vital to ensure that **ambition levels** (expressed as revised national emission ceilings) based on one single energy scenario do not result in significant escalation in compliance costs or non-achievability in a different actual future energy world. While we fully support a rigorous comparison of costs and benefits of legislative proposals we do not believe that current understanding of costs and benefits is adequate to justify the 'economics textbook' approach used by IIASA in setting ambition levels. **The 75% gap closure (the distance between emission reductions required by current legislation and those if every technically feasible reduction was undertaken) of the '2025 central policy scenario' is consequently neither technically justified nor prudent as the basis for a revised TSAP.**

The authors of the IIASA report (section 6.2 on page 50) have examined the achievability of the emissions ceilings of the central policy scenario under a previous different energy scenario (the one called PRIMES 2010, two years before the current energy scenario PRIMES 2012=and concluded a significant number of them could not be achieved under those conditions! They drew the conclusion that *"It remains a political judgment of risk management to what extent less likely developments should be considered in the setting of national emission ceilings"*.

It is also important to recognize the limitations of GAINS resulting from the significant 'simplification' of the varying activities within a given industry sector. This results in the application of 'aggregated emission factors' and 'aggregated costs'. As a consequence the high incremental cost versus incremental

emission reduction (cost effectiveness) is obscured, a cost that that would in practice have to be met by Industry, especially at the high ambition levels.

Bearing in mind what IASA considers as “*less likely development*” is the recovery from this dramatic economic crisis the EU is struggling to achieve, we urge EU decision makers to follow the way of wisdom in setting credible and affordable ambition levels.

## **Key principles supported by industry**

Industry supports the general approach of seeking cost-effective solutions to address air pollution across the fullest range of contributing sources. The Industrial Emissions Directive (IED) is the central framework covering the overwhelming majority of industrial sites in Europe and will be fully implemented through developing BAT conclusions for all sectors. The IED will keep driving the continued improvement of environmental performance through the regular updates of the BREFs (BAT REference documents) and adoption of revised BAT conclusions.

Emissions from industry have been reduced substantially over the last two decades. Hence the potential for further cost-effective reduction from industry is thereby lower, and this should be fully recognised when considering further policy measures in the context of the upcoming revised TSAP.

1. The **TSAP objectives** should be maintained at an achievable level, **consistent with the application of the best available techniques and their associated emissions performance**, and not set beyond the A2 scenario (50 % gap closure) **for 2030**. The A5, A4 and A3 scenarios (75 % gap closure) would force a significant number of Member States to deliver emission reductions close or even beyond the MTFR scenario and thus pushing most of their industrial installations to performing close to or beyond the emission levels that are associated to the Best Available Techniques, and investing in commercially unaffordable abatement techniques if those are considered technically applicable.
2. The **2020 National Emission Ceilings** shall be set so that EU member states would **not** be forced achieving **stricter** objectives as compared to the internationally-approved **Gothenburg Protocol ceilings**. This is the only approach ensuring a level playing field between EU and non EU countries and preserving the short-term competitiveness of the EU industries facing international competition.
3. **Beyond 2020, mandatory targets shall only be set for 2030** to avoid any regret investments and align air quality policy consistently with the upcoming 2030 energy and climate change package. Should **interim targets be defined in 2025**, these must be solely based on the so-called **current legislation reference (CLE) scenario** (in this scenario now new policies are put in place but current legislation is implemented), which already includes investment in measures such as applying the IED BAT-based operating conditions in all industrial installations. These investments (many of which are yet to be made) under the CLE scenario will already allow achieving **additional reduction beyond the reductions required** by the Gothenburg Protocol (e.g. NO<sub>x</sub> reductions of 60%, compared to 42% under Gothenburg and SO<sub>2</sub> reductions of 70%, compared to 59% under Gothenburg). Industry therefore considers any 2025-based indicative interim targets should **not lead to setting measures that go beyond what is expected from the application of the current legislative framework**.