SETatWork Roundtable

Recommendations to European Commission on post-2012 Emission Trading Scheme

26th March 2010, Brussels, Belgium

Minutes of Discussion

Agenda

1. Welcome
2. The Challenge for the EU of walking the talk post-2012
3. Future EU Schemes, measures & mechanisms to support ETS-compliance
4. Break
5. Facilitation of access to carbon markets for buyers & technology suppliers
6. Wrap up

Roundtable Participants

Industry and European Commission

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SETatWork partners

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Moderator

Nils Daugaard, ECNet (Denmark)

Lars Munkøe, representing ECNet (Denmark)

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Minutes of Discussion

This summary is a compilation of the dialogue between SETatWork and industry associations during the Roundtable meeting for stakeholders in Brussels on March 26th 2010.

Assuming the carbon prices set out by IEA, which role for guiding industry towards compliance would you recommend to the EU Commission?

The 450 ppm scenario outlined by the International Energy Agency (IEA) in 2009 for meeting the global target of a 2°C increase of the temperature indicates price levels for carbon credits of 50$/tonne in OECD countries and 30$/tonne in non-OECD countries in 2020.

EU ETS as a stand alone scheme for industry for combating climate change is a key concern. Energy intense industries operating in a global market such as steel and chemical industry, perceive a global emission reduction system also including industry outside the EU as a key priority for the EU Commission.

The associations have the concern that introducing significant reduction targets for industries at high costs within EU only will influence competitiveness and eventually result in a relocation of the energy intense industry to countries outside EU.

For this reason it is perceived important that the EU should continue the efforts towards legally binding absolute reduction commitments from countries outside EU.

Which challenges and barriers are the most important for European Industry for reducing carbon intensity in manufacturing?

Bearing in mind that some industries by nature are energy intensive, industry energy efficiency benchmarks have demonstrated significant variation within each industry sector, which represents a greenhouse gas (GHG) emission reduction potential in many cases.

Several key issues for industry in order to improve energy efficiency significantly were highlighted:

- Knowledge sharing between organisations belonging to the same industry sector. This is perceived as a barrier to the identification of saving initiatives, e.g. in manufacturing.
- CEFIC identified a need for tools for industries offering a systematic approach for prioritising savings with high impact/cost ratio within an organisation.
- Access to financing schemes for GHG emission reductions. Initiatives with high impact on emissions addressing the core manufacturing process in existing plants require significant investments. With increased reduction commitment, some industries (will) experience a barrier in financing GHG reduction projects while meeting ETS reduction targets leading towards ETS compliance while holding costs for emission rights until projects have been implemented.

Which are the essential measures needed by industry for remaining competitive with EU-ETS restrictions?

The representatives agreed on the need for a global GHG reduction agreement which takes into account not only EU based industries but equally addresses competitors outside EU.

Especially for commodities and goods traded on the global market with high energy intensity, the need for a global agreement is crucial for maintaining manufacturing in Europe.

The post 2012 EU reduction commitment will increase pressure on industries in the EU to reduce GHG emissions while competitors outside EU will currently not face the same challenge and costs related to emissions.

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However, the price of carbon credits alone appears insufficient for industries in EU to overcome the need for identification and implementation of significant GHG reductions of manufacturing and to date, no structured support to industry is available for meeting future targets.

Within the EU ETS many members are small or medium sized industries with limited resources, organisational and financial. The discussion revealed a need for mechanisms reaching out to this segment of the ETS members to support the identification and implementation of GHG reductions.

The support requested by industry reflects both a need for financing schemes and supporting mechanisms for identification and prioritising saving opportunities.

Such schemes should address not only individual sectors but also assure knowledge sharing across industrial sectors in order to improve innovation and diffusion of best available technologies between industries.

The needs addressed reflect an approach for ETS-compliance which is based on EUA trading and in-house savings.

According to ESTEP, the opportunities for reducing compliance costs by trading carbon credits such as CERs or ERUs are currently not widely used within the industries. Bearing in mind the IEA 450 ppm scenario which indicated a difference in price levels between OECD carbon credits (currently EUA) at 50$/tonne and non-OECD credits (currently CERs and ERUs) at 30$/tonne, instruments for industry for acting on the global carbon market could lead to substantial cost reductions.

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