

The Alliance of Energy Intensive Industries



INTERNATIONAL FEDERATION
OF INDUSTRIAL ENERGY CONSUMERS

IFIEC Europe

Brussels, 11 January 2008

Dear Vice-President Barrot,

The College of Commissioners will decide on the proposal for the review of the Emission Trading System Directive on 23 January 2008. The emerging details give rise to serious concerns about future perspectives of Europe's energy-intensive industries.

The European energy-intensive industries support the objectives of the ETS legislation but call for a proportionate, consistent policy approach and timely decisions in the spirit of Better Regulation that will safeguard a predictable process and fair perspectives for the European economy in line with the EU Lisbon Agenda.

We appreciate the recognition our industries have received in the March 2007 Council Conclusions (para 33) demanding adapted climate policies: "Given the great importance of the energy intensive sectors, cost-efficient measures are needed to improve both the competitiveness and the environmental impact of such European sectors".

At the High Level Group on Energy, Competitiveness and Environment, the Emissions Trading Scheme (ETS) Review process and to the Energy Policy for Europe "3rd package" consultation we have suggested tailoring allocation of free emission allowances to sector-specific performance indicators (e.g. benchmarks) instead of using any form of auctioning and instead of introducing emission caps indifferent to our best potentials.

We have urged to deploy the benefits of fully developed global sectoral agreements and to effectively mitigate the impact of CO₂ cost pass through on EU electricity prices without further delay for industries competing internationally.

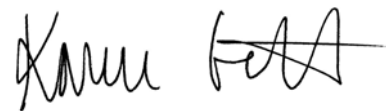
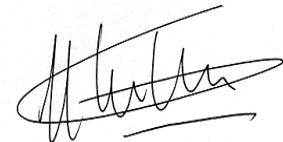
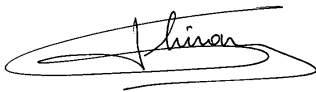
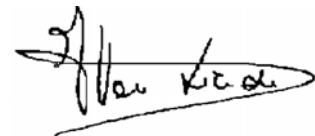
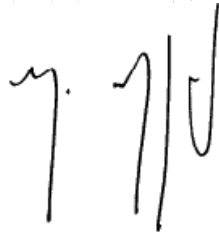
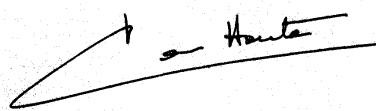
We are very concerned that, despite previous acknowledgement of these fundamental requirements, the Commission does not take upfront a firm stand on free allocation to globally competing industries. We understand the Commission now intends to delay and delegate further these strategically important decisions on criteria for free allocation to a technical analysis and report to be finalised only

in 2011. Such indifference and delay will send the wrong signals to industry and society of unpredictability and piecemeal legislation.

On another note, it is surprising that the EC draft proposal insists on including small emitters (over a threshold 10Kt CO₂/year) despite, as demonstrated in the latest EEA report, an emission threshold of 50Kt/year would cover 95% of the ETS emissions, while reducing by 75% the number of installations burdened with administration and costs. Small emitters should therefore be excluded from the new ETS since their inclusion is not cost effective.

We believe effective and sustainable emission reduction can only be achieved with thriving industrial sectors, i.e. the European energy-intensive sectors. Our industries support a constructive vision that a significantly improved Emission Trading System can contribute to reducing emissions at lower costs.

With best wishes for 2008 and looking forward to your explicit support in the current debate,



The heads of the federations of the Alliance of Energy Intensive Industries

The letter is addressed to the President of the European Commission and to Members of the European Commission.

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