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Cefic position on energy policy

Joined-up energy policy good for Europe

Europe's industrial competitiveness will get a boost from smarter, joined-up energy policy leading to functioning markets and competitive prices to keep EU firms investing in Europe. Energy policy has a strategic future impact on the chemicals industry and the EU economy, and the "third energy package" for energy-intensive sectors like chemicals will be crucial starting point to move towards efficient energy markets.

The Energy 2020 strategy is an important step in the right direction but there is a further need for a constructive discussion together with industry and academia, including an evaluation of the true impact of all political actions surrounding energy and climate policy issues, such as EU-ETS and infrastructure development to integrate renewable energy sources.

Cefic agrees with the central EU energy policy goals of security of supply – competitiveness and sustainability – but stresses that these need to be achieved in a balanced manner and without putting industry in a bind. Policy must take into account the following objectives:

- a functioning energy market through transparent, efficient pricing mechanisms with true consumer benefit;
- efficient infrastructure development with fair cost-allocation aiming to guarantee security of supply and market transparency;
- strong promotion of energy efficiency projects as the most cost-efficient way to contribute to EU climate targets, with a focus on non-ETS sectors such as building and transport; and
- a market-friendly environment to encourage long-term investments in research & development and innovation area to enable industry to deliver solutions to such challenges as the EU 20-20-20 targets.

The benefits of a more integrated approach foster more transparency in energy supply and pricing, which can ultimately bring down energy costs for firms and households. Integrating energy markets and harmonising regulation eliminates borders to create a more open, level playing field for pricing on an EU scale as it creates cross-border trade through strengthened infrastructure.

No further targets without global agreement

Cefic advises against further unilateral greenhouse gas reduction targets without a global agreement: The EU-ETS means a significant cost and administrative burden for EU economies and employment. Only a global agreement can provide the ground for meaningful and effective EU emission reduction target beyond minus 20 per cent.

Policy-induced carbon leakage remains a concern

Energy needed to produce substances like chlorine accounts for up to 60 per cent of costs at the highest efficiency levels, with the sector average hovering around 40 per cent. Such EU energy-intensive processes and sectors face a unilateral cost burden from the EU climate and energy policy measures. In turn, EU measures need to be put in place urgently to prevent relocation of manufacturing to carbon-intensive regions thus causing carbon leakage and loss of employment. EU guidelines are needed to balance also indirect emissions cost effects, such as from the carbon price integrated in electricity costs.

Global benchmarks are needed for CDM projects

Cefic advises against the suggestion made on 21 January by the European Commission Climate Change Committee for a unilateral move by the European Union to completely ban after 2013 access to credits from certain Clean Development Mechanism (CDM) projects. Cefic urges that instead of banning access completely, credits should be allowed for future projects that reduce greenhouse gas (GHG) reductions and meet project-specific, globally-agreed benchmarks.

- More credits mean greater technology exchange, efficiency gains
- Domestic offset scheme needed within ETS
- Technology transfers work, CO2 credits help EU firms stay in Europe

Joined-up governance makes ETS more efficient and secure

Emissions Trade Scheme markets must have streamlined regulatory oversight to create a more efficient and secure CO2 trading system. Cefic believes that the review of ETS markets in the review of European financial markets regulation, namely the Market Abuse Directive (MAD) and the Markets in Financial Instruments Directive (MIFID). Markets should be supervised by the European Securities and Markets Authority (Esma) and the proposed framework would benefit market participants by having well-stated rules for access, greater surveillance and an efficient and secure trading environment.

Our proposal ensures a fully functioning regulatory regime that would not only prevent external manipulation and theft, but more effectively impose measures that prevent excessive speculation, liquidity loss and skyrocketing prices.

Some Facts & Figures on the EU chemicals industry

The EU chemical industry, which represents 1.1 per cent EU gross domestic product, has increased its energy efficiency during the past two decades, according to Cefic's Facts & Figures report. Greenhouse gas emissions per unit of energy use fell 41.5 per cent from 1990 to 1998. Base chemicals, energy and feedstock together frequently exceed 50 per cent of total production cost. Overall, the chemicals industry accounts for 12 per cent of total EU energy demand and one third of all EU industrial energy use.

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