

EU EMISSIONS TRADING SYSTEM (ETS)

What is it?

The EU Emissions Trading System (ETS) is the flagship climate policy of the European Union aiming to cut carbon emissions in industrial manufacturing plants. Over 1,100 chemical plants are affected by it. It uses a system of carbon allowances as a currency whereby companies pay for every tonne of carbon they emit. Companies performing well by cutting emissions can sell unused carbon allowances, incentivising them to invest in clean technology. It is currently being reviewed by the EU to improve the way it works. ETS is unique to Europe. Some industry sectors are increasingly moving their manufacturing out of the EU to areas not affected by these regulations. This phenomenon, called “carbon leakage” is recognised by EU policymakers who offset it by giving industries free carbon allowances.

What do we want ?

Cefic wants an EU ETS based on recent industrial production data, recognising the strong efforts made by companies successfully cutting their carbon emissions.

Industrial production benchmarks are used to set the level of free carbon allowances companies can benefit from. However, benchmarks currently applied are based on industrial production from before the global recession. Industrial production levels fell during the crisis due to declining demand, leading to a surplus of carbon allowances. ETS is thus not as effective as it should be – using data from recent industrial activity to set benchmarks would bring back a much needed dose of reality. The EU chemical industry brings over 550 billion Euro annually to the EU economy plus 1.2 million jobs. Policymakers should send a clear signal to industry that they are welcome to grow and thrive in Europe. Tiering – the streaming of sectors into higher or lower levels of free allowances - has been proposed by the Commission to protect some industrial sectors from ‘carbon leakage’, the risk that they may leave the EU for other more competitive global regions. European chemicals is a very diverse sector. Many chemical businesses have different types of chemical businesses affected by different tiers. Tiering is undesirable and unnecessary if allocation of free allowances is based on real production data.

Our industry wants to continue to invest in Europe, and for that we need to know that there is an ambitious European vision for industrial and climate policy. Industry are the key to implementing this policy and tackling manmade climate change, especially leveraging the innovation know-how of industrial R&D. We call for a reformed ETS that enables allocation of free carbon allowances based on recent industry production and improved emissions performance so all sectors get the opportunity to thrive in Europe. Jobs in all sectors should be valued equally.

Benefits

ETS would be best reformed by being based around recent industrial production figures.

- This would enable companies that clean up the most to be rewarded for their commitment to cutting emissions
- It would avoid discriminating against some sectors at the expense of others
- It would help protect Europe from losing out on the significant growth and jobs offered by industry
- It would send a signal to industry that Europe is the best place for their future manufacturing investment

More information?

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