THE EU EMISSIONS TRADING SYSTEM (ETS)

Supporting the fight against climate change

Cefic Mythbuster

The EU Emissions Trading System (ETS) was designed to promote reductions in industrial greenhouse gas emissions and help solve climate change. Europe's chemical industry is fully engaged in reducing emissions and innovating solutions to help other industries be more efficient. We bring the solutions to support the fight against climate change while also driving a competitive, innovative, low carbon Europe!

MYTH: That global competition does not matter.

FACT: ETS is unique to Europe. To compensate for the differences in costs around the globe, industries receive part of the carbon credits they need to emit for free. The goal is to avoid carbon or investment leakage, where investments move abroad due to higher EU costs. Studies that argue that there is no evidence of carbon leakage look at the period before 2012, when carbon allowances were being allocated for free. It will only be possible to prove carbon leakage when investment levels are down and it is too late. Capital investment by the EU chemical industry has been overtaken by the US and China, which ranks top in worldwide chemicals sales, a position once held by Europe. This is not only because of ETS - it is, however, a clear sign to support EU industry with free allocation.

MYTH: That free allocation of carbon allowances must be reduced in order to cut carbon emissions

FACT: The only way to cut carbon emissions is to ensure industry has the means to invest in research and development and innovate new technologies to reduce greenhouse gases. Free allocation of carbon allowances will help to achieve this. Companies that invest in low carbon technology to cut their emissions should not face extra carbon costs. Using more recent industrial production data will help to design an ETS where jobs in all manufacturing sectors are equally valued.

MYTH: That companies profited because of surplus allowances.

FACT: The free allocation of carbon allowances was set up based on historical industrial activity levels before the global recession when industry production was high. Production slowed during the recession, and some companies therefore got more free allowances than they needed. Some had to sell allowances to cope with the crisis. Others saved them and are now using them as they catch up on lost production due to increasing global demand for chemicals.

MYTH: That the best way to stop climate change is regulation.

FACT: The only way to address climate change is by innovating the low carbon energy solutions of the future and deploying them on an industrial scale. Strong regulations are essential to give the framework to protect our planet and for a stable, predictable economy, but won't deliver innovation. Europe's chemical industry is a high-tech industry with a strong track record on innovations that benefit society.

More information? Visit Cefic's online policy centre: www.cefic.org

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