SVAZ VÝROBCŮ
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Názory vápenického a cementářského průmyslu na vývoj přípravy reformy EU ETS po roce 2020

Vápno, cement, ekologie - 2017

13. června 2017

Libor Prokopec

VÝVOJ EMISÍ A ALOKACE NA 3. OBDOBÍ - SVV

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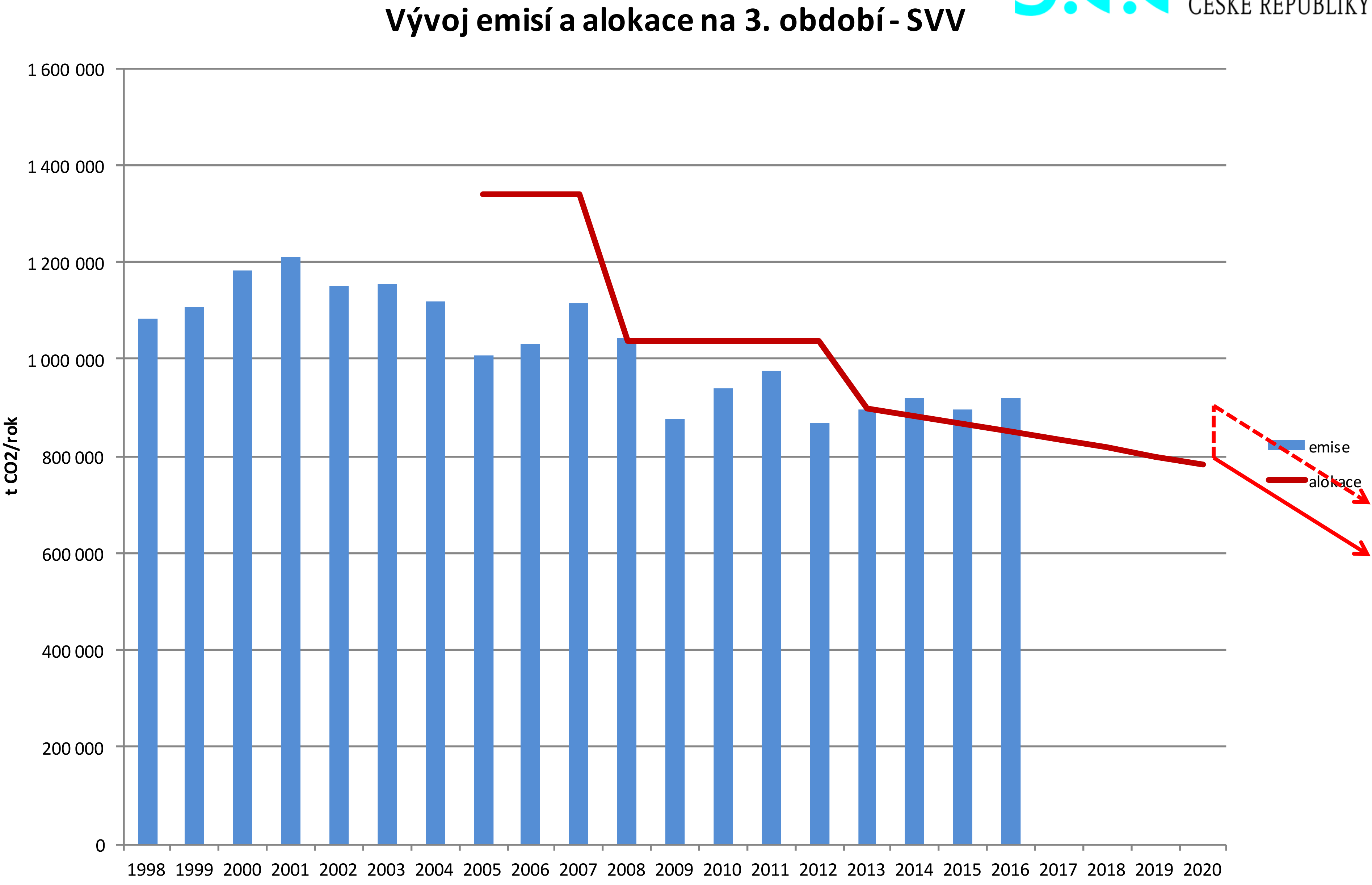

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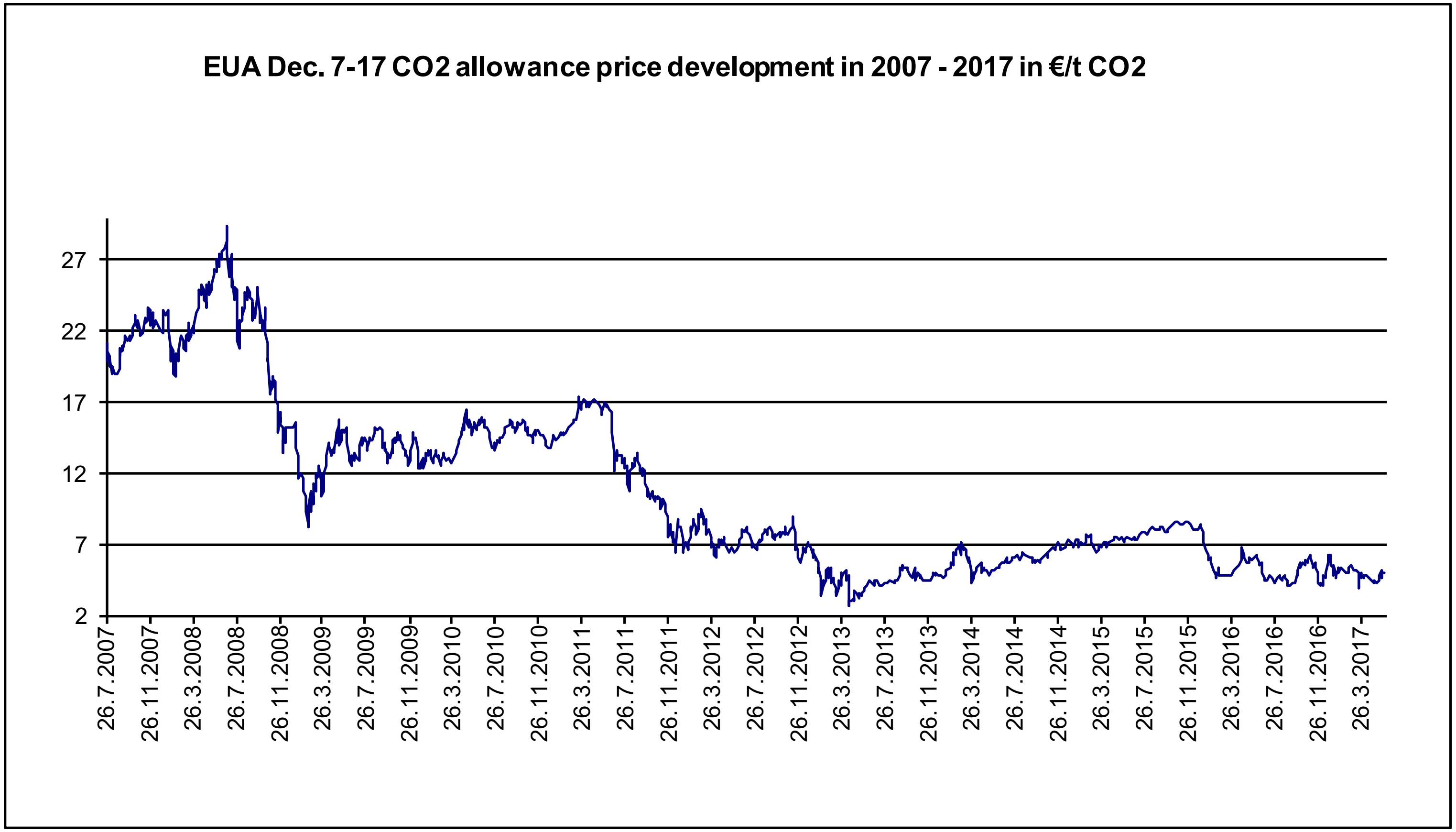
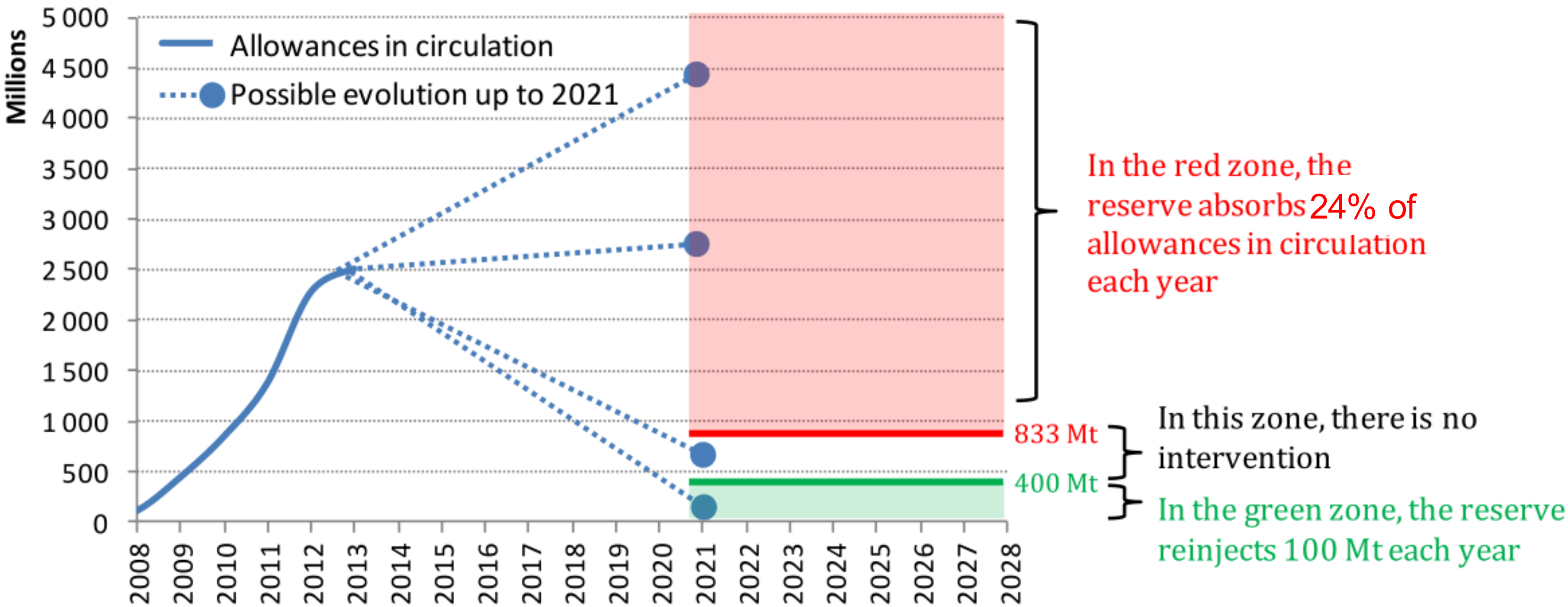


Nástroje ke zvýšení ceny – backloading, MSR

Backloading – odebrání 900 mil povolenek ze systému v třetím obchodovacím období

Později převedeno do Market Stabilization Reserve

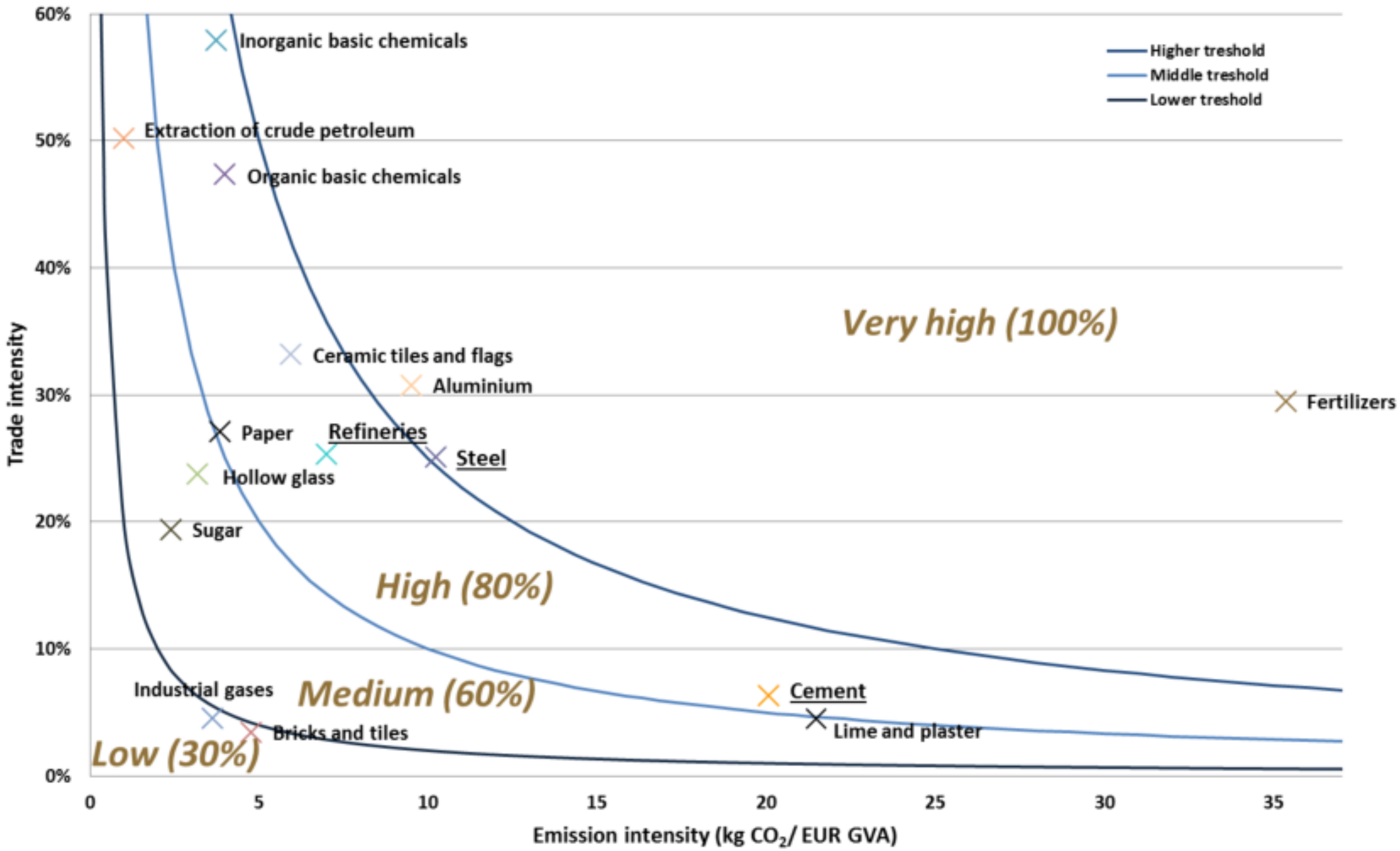
Figure 1 – MSR triggering mechanism



Climate Economics Chair, from European Commission

NÁVRH TZV. TIERED APPROACH KE SNÍŽENÍ CELKOVÉHO POČTU POVOLENEK PŘIDĚLOVANÝCH ZDARMA

Figure 13: Indicative carbon leakage groups in the 'Targeted' option package based on 2009-2011 data



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EuLA

Pozice EuLA k tiered approach

The "tiered approach" proposals have the following pitfalls:

•No Impact Assessment has been performed on the different scenarios;

•The **parameters proposed are not based on any scientific approach** nor robust literature.

•Sectors with a **significant share of emissions coming from the raw materials** are even more exposed to artificial and arbitrary reduction in free allowances;

•These proposals to "tier" the free allocation given to sectors exposed to carbon leakage could furthermore create some **market distortions.** Lime is a commodity used in a wide range of sectors and with some substitutes in specific EU markets (for instance environmental protection, civil engineering);

•Overall, the "tiered approach" proposals would make the EU ETS overly complex and would lead to high administrative costs.

Pozice EuLA k návrhu reformy EU ETS po 2020

EuLA

European Lime Association A.I.S.B.L.
Association Européenne de la Chaux
Europäischer Kalkverband

Position of the lime industry on the Commission Proposal for a Directive amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments - COM (2015) 337

September 2016

1 The lime industry should continue to be fully protected against the risk of carbon leakage

2 The free allocation should account for the specificity of the lime production: process emissions

3 Avoid the application of the CSCF

4 Ensure an innovation fund that supports the lime industry

5 Exclusion of small emitters

European Lime industry supports the following policy options to ensure full and effective carbon leakage protection:

- a lower auctioning share (52% instead of 57%);
- the application of a dynamic allocation;
- the recognition of the specificities of the lime industry: a very high share of emissions coming from the raw materials;
- the innovation fund should focus on the development of CCU
- no CSCF (or only applied to combustion CO2)

NÁVRH ENVI VÝBORU EP – TZV. BAM

- *An import inclusion scheme, fully compatible with WTO rules shall be established. It shall require importers in sectors not having a trade intensity above 10% in all calendar years set out in paragraph 4 covered by the EU ETS to acquire and surrender allowances for imported products.*
- *The Commission shall adopt a delegated act by 30 June 2019 specifying the exact design of the detailed requirements for this scheme. Before presenting the delegated act, the Commission shall carry out an impact assessment, including a stakeholder consultation and feasibility study looking at the most effective way to introduce such a scheme. This assessment shall be published together with the communication assessing the consistency of the EU's climate change legislation with the Paris Agreement goals published within six months of the facilitative dialogue under the UNFCCC in 2018, as laid down in Art. 30 a.*
- *Once this mechanism is in place, no free allocation shall be given to sectors and subsectors that are deemed to be at risk of carbon leakage but covered by the import inclusion carbon mechanism.*

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Pozice EuLA k návrhu BAM (1)

EuLA

European Lime Association A.I.S.B.L.
Association Européenne de la Chaux
Europäischer Kalkverband

The lime sector strongly opposes the proposal of a "Border Adjustment Mechanism" as foreseen by the ENVI committee within the EU ETS.
It calls for a similar type of protection for all the sectors exposed to carbon leakage to save the integrity of the internal market.

January 2017

Implementing a "border adjustment mechanism" (BAM) restricted to a few sectors, as foreseen by the compromise amendment 13 adopted by the ENVI committee of the European Parliament, **will create an asymmetric EU ETS and seriously endanger fair competition in the internal market.**

EuLA therefore calls on the Members of the European Parliament to amend this provision during the plenary vote.

1. **The introduction of a BAM for a few sectors only goes against the fundamental principles of EU law**
   a. *Principle of non-discrimination*

There is no environmental justification for the differentiated treatment of lime (which would no longer benefit from free allowances) and other competing products (which would retain free allowances).

   b. *Principle of proportionality*

The principle of proportionality requires that the legislators ensure a balance between the legitimate aim pursued by the legislative measure (environmental protection) against other objectives deserving of protection (fair competition). A BAM as foreseen by the compromise amendment 13 will create distortive effects on fair competition and consequently outbalance the overall aim of the directive.

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Pozice EuLA k návrhu BAM (2)

2. **This provision is creating an unprecedented distortion of competition within the EU internal market**

The text related to the BAM as submitted to the vote of the EU Parliament is strongly jeopardising the future of the ETS system as it creates an unbelievable distortion between EU sectors competing on its own internal market.

a. *Between competing products in certain markets*

Lime competes against several products on different markets (for instance, it competes with chemicals in markets such as capturing impurities in air emission and water treatment). These products would continue to receive free allowances and would therefore gain an advantage, without any sound environmental justification (LCAs).

b. *Between captive and non-captive lime production*

Millions of tons of lime are produced inside installations belonging to other sectors, such as steel, paper and sugar (captive production). These emissions will still benefit from free allowances as they are incorporated in the global position of integrated installations while lime (non-captive) producers will not. The EU is creating an absurd system where non-captive installations will receive no quotas, even if they are often more efficient in terms of emissions.

c. *Between EU producers and importers within the lime value chain*

Some importers may circumvent the BAM by importing lime-based products that are not covered by benchmarks in the EU ETS, such as hydrated lime, milk of lime, precipitated calcium carbonate. This would further undermine the competitiveness of EU lime industry.

3. **Choosing a system of border adjustment mechanism rather than the current system of free allocation based on benchmark is a complex debate that cannot be seriously addressed without a preliminary in-depth analysis**

The compliance of such mechanism with WTO rules still needs to be established. Furthermore, there are several methodology issues with the proposal, i.e. the inexistence of common Reporting and Monitoring methodology, or any register of emissions in non-EU countries. Finally, this proposal could have potential unpredicted impacts on global free allowances.

The BAM proposed by ENVI discriminates against the lime industry and jeopardizes its ability to compete globally and internally.
This is why the lime industry calls for a common treatment to protect sectors exposed to carbon leakage, in order to maintain the integrity of the internal market and ensure a global level playing field.

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Aktivity EuLA, SVV a Polish Lime Association na odvrácení hrozby BAM

EuLA

EuLA steps:
•EU ETS TF meetings (Jan 11, Jan 25) attended by L.P as a TF member
•Development of EuLA position paper
•Development of Legal Opinion
•Taking part in the Energy Intensive Industry alliance - joining the EII Position Paper
•Development of 4 amendments to be tabled to EP before plenary vote (deadline Feb 8, 12:00)
•EESAC assessment of cement and lime trade intensity
•DRAFT PwC study on distortion of competition
•Meetings and communication with some of MEPs

Czech Lime Association (CLA) steps:
•Agreement on alliance with Cement association (CCA)
•Taking part in the meeting in the Ministry of Environment, where the change of Czech Framework Position in sense of refusing BAM has been enforced
•Sending letter to the Czech Prime minister and Social Democratic Party chairmen B. Sobotka explaining him expected consequences to the Czech industry and asking him for support in form of intervention toward Czech S&D MEPs
•The same action toward the vice premier and Czech People Party chairmen P. Belobradek
•Request for personal meeting with the Prime Minister B. Sobotka which should be attended by highest representatives of CLA and CCA
•Providing Czech Social Democratic MEPs with EuLA documents with request for support
•Providing the EP vice president P. Telicka (ALDE) with EuLA documents with request for support
•Organizing meeting with P. Telicka in the Czech Republic on February 10
•Coming into contact with Polish Lime Association (A. Karbowski)

Polish Lime Association steps:
•Meetings and consultations of PLA and CLA representatives
•Contact with MEP Gierek, providing him with EuLA documents with request for support and help with organizing meeting with J. Buzek
•Providing Polish Social Democratic, ALDE and other MEPs with EuLA documents with request for support
•Coming into contact with EP ITRE committee chairman J. Buzek providing him with EuLA documents including EuLA amendments proposal with request to table them before Feb. 8. - planned *Note: J. Buzek is the most suitable person to table EuLA amendments.*
•Attempt to organize formal or informal meeting with J. Buzek
•Further steps will be proposed based on current development
All the steps on national levels are consulted and co-ordinated by EuLA.

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BAM – SCHVÁLENÉ ZNĚNÍ

EuLA

- ***(1b) Following up to Article 6(2) of the Paris Agreement, the Commission shall assess in its report, to be prepared in accordance with Article 28aa, the development of climate mitigation policies, including market-based approaches, in third countries and regions and the effect of these policies on the competitiveness of European industry.***
- ***(1c) If this report concludes that a significant risk of carbon leakage remains, the Commission shall, if appropriate, come forward with a legislative proposal introducing a carbon border adjustment, fully compatible with WTO rules, based on a feasibility study to be initiated at the publication of this Directive in the OJ. This mechanism would include in the EU ETS importers of products which are produced by the sectors or sub-sectors determined in accordance with Article 10a.***

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AKTUÁLNÍ POZICE EP A EC PRO TRIALOG

Issue	Parliament (379+, 263-, 57 for the report)	Council (71.44% for the general approach)	BusinessEurope position (preliminary)	EuLA position
Linear reduction factor	2.2%, with option for 2.4% after 2024	2.2%	Keep the LRF at 2.2% as long as EU is most ambitious major economy.	**2.2% (Council position)**
Ratio auction-free allowances	57%, up to 5% shift if CSCF is triggered	57%, up to 2% shift if CSCF is triggered.	Parliament position. 2% is highly inadequate to prevent the CSCF and protect carbon leakage sectors up to the level of the best performers.	**Up to 5% shift in auctioning share if CSCF is triggered (Parliament position)**
Carbon leakage list	No tiered approach. 30% is gone except for district heating. Amendment 165: In benchmark calculations, the full carbon content of waste gases used for electricity production shall be taken into account.	Binary approach. 30% sectors are included. Waste gases not included.	Council position (though not a key BE position).	**No tiered approach.**
Benchmarks	Benchmarks for the 2021-2025 period shall be updated according to 2016-2017 data and subject to a flat rate that is equal to the average improvement rate of the 10% most efficient installations between 2008 and 2023. Benchmarks for the 2026-2030 period are updated with 2021-2022 data and subject to a flat rate based on 2008-2028 data. With caps: 0.25% and 1.75%. Benchmarks for aromatics, hydrogen and syngas adjusted by same percentage as refineries benchmarks	Same as Parliament, but with lower caps: 0.2% and 1.5%	Council position, though BE is not convinced of artificial flat rates.	**Benchmarks should takes into account the specificity of the lime industry, i.e. the chemical, physical and technical limits for emission reduction of process emissions from raw materials**
Indirect costs	EU fund consisting of 465 million allowances (310m auctioning and 155 free), in total 3% of total allowances, with possibility of national top-ups (but with a reducing/degressing cap towards 2030). This top up should be in line with state aid rules.	No EU fund. Member States will be "seeking to use no more than 25% of the revenues generated from auctioning for indirect cost compensation".	Parliament text could be a compromise (Council text is no change from today), but if and only if degression is removed and other important points (i.e. 5% shift) are in the final compromise.	
Border adjustments	The Commission shall assess the development of climate policies in third countries and their effect on competitiveness of European industry. If the risk of carbon leakage remains significant and if appropriate, the Commission shall come forward with a legislative proposal introducing a border adjustment mechanism (BAM), in line with WTO rules.	No mentioning	Council text. No border adjustments.	**No "limited" border adjustment (Council position)**
CSCF	Thresholds apply that will exempt certain sectors if the CSCF is triggered.	No thresholds. If applied, it is applied in a "non-discriminatory and uniform manner".	Council text. CSCF should be prevented as much as possible, but if it is applied it should be done so	**No thresholds (Council position)**

AKTUÁLNÍ POZICE EP A EC PRO TRIALOG

MSR	Doubling of the intake rate from 12% to 24% until the market balance has restored, starting in 2019	Doubling intake from 12% to 24% for 5 years, starting 2019. Furthermore, starting 2024, allowances held in the MSR above a total number of allowances auctioned during the previous year shall no longer be valid.	Support doubling of the intake rate, but any cancellation needs to be accompanied by a good impact assessment, and any increase in ambition should be accompanied by more focus on making sure industry gets enough free allowances up to the level of the benchmark, e.g. Through a 5% shift and more.	
Cancellation	800 million allowances from the MSR will be cancelled in January 2021. MS may cancel allowances from their auctioning budget in case of closure of national electricity generation capacities.	See MSR.	See MSR.	
Qualitative assessment	The threshold has been lowered from 0.2 to 0.12	0.16 threshold	Parliament position.	
PRODCOM	Sectors will be allowed to be assessed at a more disaggregated level (e.g. PRODCOM) than the current NACE coding.	Possibility to request an assessment at a 6-digit or an 8-digit level (Prodcom)	No preference. Probably Parliament as it's more flexible.	
Small emitters	Threshold is raised to 50,000 tCO2e/year. SMEs with less than 50,000 t may be excluded from the EU ETS by Member States.	Also reffered to as "small installation". No thresholds mentioned. No definitions. Member States will review every 3 years whether opted out small emitters are delivering similar emission reductions.	Parliament position.	**Keep existing threshold (25000 tCO2/year)**
Innovation Fund	Increase from 400 to 600 million, paid from auctioned allowances.	400 million funded with free allowances, plus 50 unallocated allowances MSR	Parliament position.	**Parliament position**
Modernizations Fund **(Art. 10 and 10d)**	2% of total EU ETS allowances, but this 2% is part of the 57% (= auctioned allowances). Beneficiary (low-income) Member States should be responsible for its governance. Under Article 10 c, there is an introduction of an emission performance standard (EPS) of 450 g CO2/kWh for investments under the transitional free allocation mechanism.	2% part of the 57% (like Parliament). However, no EPS. Beneficiaries are responsible. Greece cannot use the Modernization Fund, but will be given 20 million allowances from the New Entrance Reserve (NER) to co-finance decarbonization of its electricity supply of islands within its territory.	Council position (due to streamlined governance and no EPS).	
New Entrance Reserve	400 million, taken from free allowances Phase IV (because this is under Art. 10a)	250 million from MSR, plus unallocated Phase III allowances (unspecified how many)	Council position.	

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AKTUÁLNÍ POZICE EP A EC PRO TRIALOG

Just Transition Fund	2% of auction revenues, used to support regions that combine a high share of workers in carbon-dependent sectors with a low GDP per capita.	No mentioning	No preference (as long as it doesn't touch the free allowances).	
Dynamic allocation	Installation allocation from the new entrance reserve (NER) shall change with increases or decreases in production of at least 10%.	At least 15% increase or decrease.	Parliament position.	**Parliament position**

AKTUÁLNÍ POZICE EULA K PROJEDNÁVANÝM BODŮM

European Lime Association A.I.S.B.L.
Association Européenne de la Chaux
Europäischer Kalkverband

Position of the lime industry on the Commission Proposal for a Directive amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments - COM (2015) 337

March 2017

The European Lime Association represents European lime producers in the EU. 89% of companies in the lime industry are SMEs, well integrated in their local communities. The lime industry also contributes to protect our everyday environment: by abating SO2 and thus acid rains[1], by its key role in water treatment, by purifying harmful constituents from iron and steel production, etc.

Following the adoption:

- On February 2017, of the European Parliament "first reading" position
- On March 2017, of the Council of the EU "general approach" position

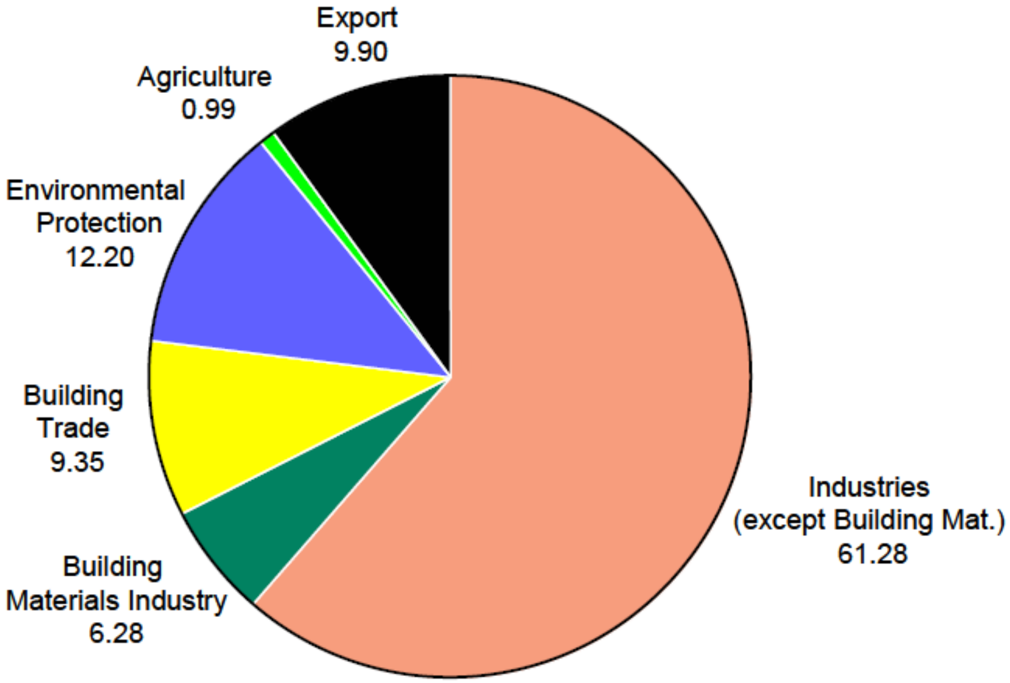
The EU lime industry **welcomes:**

- the adoption of a linear reduction factor of 2.2% (Commission proposal, Council position);
- the adoption of a 5% shift in the auctioning share in case the CSCF (cross sectoral correction factor) is triggered (Parliament position);
- the adoption of carbon leakage protection based on a binary approach (Commission proposal);
- the update of benchmarks for free allocation with thresholds (0.25% Parliament, 0.2% Council) which recognises the limited potential of emissions abatment of the lime sector due to its high share of irreducible emissions coming from the decarbonation of its raw material;
- the adoption of a dynamic allocation (Parliament and council position);
- the maintenance of the threshold for the small emitters "opt out" to 25000 tCO2/year (Council position).

However, the lime industry **remains concerned about some key aspects of the free allocation,** and calls for:

- a limitation of the triggering of the CSCF through an <u>appropriate shift of the share of auctioning;</u>
- if applied, the CSCF should:
  - NOT apply to <u>irreducible emissions</u> coming from the decarbonation of the raw material;
  - NOT exempt certain sectors (Parliament position) but should <u>be applied in an uniform way</u> accross all sectors (Commission proposal, Council position);
- the non-cancellation of <u>allowances transferred into the MSR</u> (Council position) as long as there is a risk of CSCF.

The total estimated capture potential for the European lime industry is at least at 5 mill. t/year.



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POTENCIÁL REKARBONIZACE VÁPNA

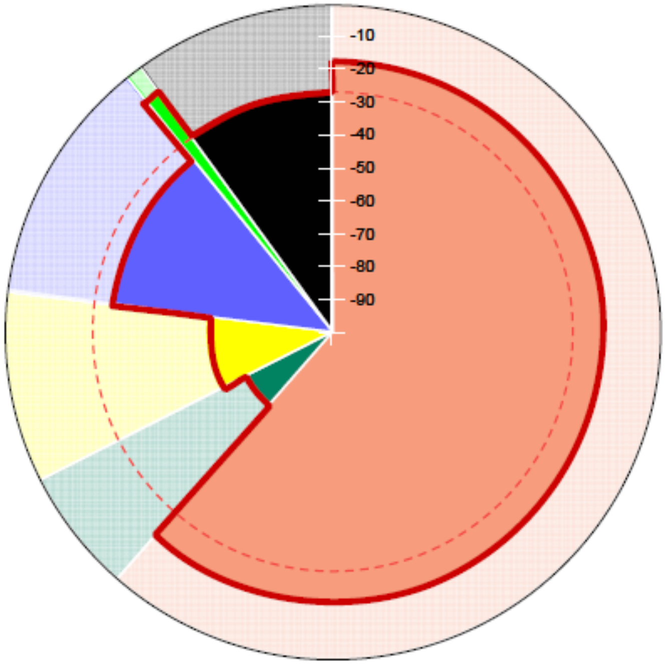

Figure 9: Autogenous sequestration on long term per segment average capture rate is up to 27.6%

CARBON INTENSITY

- **Low Carbon economy index**

On 1 November 2016, Price Waterhouse Coopers (PWC) published its "Low Carbon Economy Index 2016" which shows how fast the G20 countries decarbonised their economies in 2015, relative to their Intended Nationally Determined Contributions (INDCs) targets.
The EU reduced its carbon intensity by 0.7% but is below world average (2.8%) and far behind the US, China which are at the top of the league table (6% and 6.4% respectively):

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Děkuji za pozornost

L. Prokopec

Červen 2017