

PRESS RELEASE

EU ETS REFORM MUST “BETTER BALANCE INDUSTRY COMPETITIVENESS AND EMISSIONS REDUCTION EFFORTS”, SAYS EUROFER

Brussels, 14 June 2016 – Ahead of next week’s European Parliament Environment Committee (ENVI) debate on the recent report by Ian Duncan MEP on the revision of the European Union Emissions Trading System (EU ETS), the European Steel Association (EUROFER) has highlighted its position.

“The draft report proposed recently by Dr Duncan MEP in the European Parliament Environment Committee introduces some flexibility in the distribution of allowances between auctioning and free allocation. However, it enlarges the volume of free allocation only to a minor extent and maintains the mechanism of cutting benchmarks through arbitrary linear flat rates,” said Axel Eggert, Director General of EUROFER.

“Although the changes in the draft report improve the Commission proposal to some extent, their combined effect would still expose the steel sector to a shortage in free allowances of up to 30%-40% by 2030 (depending on the flat rate applied to steel benchmarks and the subsequent Cross Sectoral Correction Factor). This impact would be even greater if the annual linear reduction factor applied to the total ETS cap is increased during the revision process foreseen by the proposal in 2023,” added Mr Eggert.

According to EUROFER, the following priorities need to be addressed to improve the EU ETS proposal:

- Benchmarks should be reset once before the fourth trading period on the basis of actual data from the 10% most efficient installations, taking into account the entirety of CO₂ from unavoidable waste gases emitted during steel production. A linear flat-rate reduction based on the average of the sector cannot reflect actual technological development by best performers and would expose them to a shortage of free allowances.
- The overall quantity of free allocations should be sufficiently high to avoid undue shortages for best performers due to the Cross Sectoral Correction Factor or the benchmark flat rates. To this end, the industry share should be increased to around 50% or use unallocated allowances from the third trading period, and allowances from the Market Stability Reserve should be used for carbon leakage protection. If best performers still face a shortage, the distribution of the available free allocation should ensure that at least sectors at a “very high risk” of carbon leakage, such as steel, receive 100% free allocation at the level of 10% most efficient installations.
- Indirect carbon costs passed through in electricity prices should be fully offset through harmonised and transparent rules in all member states, preferably through free allocation based on realistic benchmarks.

Mr Eggert concluded, “These solutions would contribute to an effective ETS that delivers both emissions reductions and a competitive industry.”

Notes for Editors

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EUROFER reaction to the Duncan Report

The EUROFER reaction to Dr Duncan MEP's report can be found on the EUROFER website at: www.eurofer.eu

Updated ECOFYS report on the costs of EU ETS

The report – the one of the first of its kind released for industries affected by the EU ETS and undertaken specifically for the steel industry – was conducted by ECOFYS, a leading environment and energy consultancy. The report was revealed yesterday in view of next week's debates on EU ETS at the Environment Council and European Parliament Environment Committee. The study, which transparently examines the steel industry's EU ETS impact, updates some parameters of the previous publication, such as production growth rates, the list of installations under its scope and the number of countries granting financial compensation for indirect costs.

The updated base case scenario confirms the key findings of last November's publication. With the Commission proposal, around half of direct and indirect carbon costs borne by the steel sector would not be covered by free allocation or financial compensation in 2030. Over the next trading period 2021-2030 such costs remain at €34 billion and the impact per tonne of crude steel by 2030 is still €28.

With this study the steel industry demonstrates its transparency as a sector and looks forward to comparing this analysis with those from other sectors. EUROFER hopes other sectors will publish similar impact assessments and data so that it becomes possible to develop policy that is based on full sectoral impact and data transparency.

The report:

- ➔ Refines the parameters of the ECOFYS model and adds a sensitivity analysis to respond to third party concerns.
- ➔ Confirms the main findings and robustness of November 2015 ECOFYS study: Over the next trading period in 2021-2030, costs of €34 billion and impact per tonne of crude steel by 2030 of €28.
- ➔ Adds an assessment of the cumulative impact over the second and third trading periods: By 2020 an equivalent of around 350 Mt CO₂ not be covered by financial compensation or free allocation.

The ECOFYS report can be found on the EUROFER website at: www.eurofer.eu

About the European Steel Association (EUROFER)

EUROFER is located in Brussels and was founded in 1976. It represents the entirety of steel production in the European Union. EUROFER members are steel companies and national steel federations throughout the EU. The major steel companies and national steel federations in Switzerland and Turkey are associate members.

About the European steel industry

The European steel industry is a world leader in innovation and environmental sustainability. It has a turnover of around €170 billion and directly employs 320,000 highly-skilled people, producing on average 170 million tonnes of steel per year. More than 500 steel production sites across 24 EU Member States provide direct and indirect employment to millions more European citizens. Closely integrated with Europe's manufacturing and construction industries, steel is the backbone for development, growth and employment in Europe.

Steel is the most versatile industrial material in the world. The thousands of different grades and types of steel developed by the industry make the modern world possible. Steel is 100% recyclable and therefore is a fundamental part of the circular economy. As a basic engineering material, steel is also an essential factor in the development and deployment of innovative, CO2-mitigating technologies, improving resource efficiency and fostering sustainable development in Europe.