

PRESS RELEASE

ENVIRONMENT COUNCIL DEAL FALLS SHORT ON CARBON LEAKAGE PROTECTION

Brussels, 1 March 2017 – The Environment Council met yesterday to thrash out a deal on the Emissions Trading System (EU ETS) post 2020. A bargain has been reached between the member states that does not do enough to protect the European steel industry’s global competitiveness or prevent carbon leakage.

“The package put together by member states unfairly penalises even the most efficient players in the market. If even European steel’s best and most advanced facilities face undue carbon costs, then industry will suffer and the environment will nevertheless go unprotected. Unfortunately, the results of member states’ deliberations have fallen short of what is needed to secure both”, said Axel Eggert, Director General of the European Steel Association (EUROFER).

Member states concluded an arrangement that reduces the auctioning share by just 2%, meaning that there will not be enough free allowances for even the 10% best performing plants as the EU ETS post 2020 rolls on. Additionally, member states developed a scheme that strengthens the Market Stability Reserve (MSR) in a way that would delete allowances from the system at an unacceptably high rate.

Besides the limited 2% auctioning share and disruptive MSR alteration, member states made no advances on developing a structural solution for the compensation of indirect costs – a key EUROFER concern. The environmental benefits of the use of recovered waste gases in electricity production were not fully considered, and there was no solution found to protect sectors at high risk of carbon leakage by preventing the application of the Cross Sectoral Correction Factor (CSCF).

“On 15 February the European Parliament reached an agreement that included a 5% reduction of the auctioning share, a method for shielding sectors at high risk of carbon leakages from the application of the CSCF, and strengthened the provisions on recovered waste gases used for electricity production”, added Mr Eggert. “These solutions would have gone some way to protecting the climate and more carefully underpinning the ability for European industry to invest in the innovation needed to reduce emissions”.

Mr Eggert concluded, “The Council has missed an opportunity to reflect the more measured position of the Parliament, and faces difficult negotiations ahead in trying to strike the right balance on the EU ETS package”.

Notes for Editors

****Please check against website version****

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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.