

EMF statement

On the proposal for a directive of the Commission: "Improvement and extension of the EU greenhouse gas emission allowance trading system"

The European Metalworkers' Federation (EMF) shares the principal idea of the EU energy package, which was adopted by the European Commission in January 2007. We especially support the aim for a 20% reduction of greenhouse gas emissions in 2020 as compared to 1990 levels. Without doubt, climate change is one of the major challenges of the 21st century and we support the European Union when leading the way in CO2 mitigation worldwide. The willingness of the European Union to reduce emissions up to 30% provided that other countries commit themselves to comparable efforts is a commitment to a far-reaching international climate agreement as a follow-up to the Kyoto-protocol.

The EMF considers proactive industrial policy as a key factor to ensure a competitive and sustainable industry in Europe. The notion of an Emission allowance Trading System (ETS) encompasses economic, social and environmental aspects. Only a balanced recognition of these aspects can secure a high level of employment, high social

standards and the well-being of European citizens.

Efforts to protect the climate and reduce CO2 emissions should also safeguard Europe as a site of future-oriented and sustainable industrial production and employment. The increased resource efficiency of energy-intensive industries that we have witnessed in recent decades, in the steel sector for example, could only be achieved because the European industry has taken on a leading role in terms of quality and productivity. The steel industry is a driver of technical innovation and has therefore to be regarded as a key industry for the European economy.

We are aware that CO2 efficiency is not the outcome of the industry's self-interest but in fact a result of continued political pressure. We therefore support the polluter-pays principle of the European emissions trading system (ETS). In the ongoing process to revise the ETS for the period after the year 2012 plans have been presented to auction emission rights and to include the energy-intensive industries in that system.

We strongly believe that the auctioning of emission certificates is not an adequate tool to mitigate CO₂ emissions and in fact jeopardises the very existence of the energy-intensive industries in Europe, in particular the smaller steel producers, and the jobs of several hundreds of thousands of workers. Currently, the steel sector alone accounts more than 400,000 in the European Union skilled workers and the nonferrous sector for an additional 250,000. The social and economic prosperity of numerous regions in Europe depend on these sectors.

The above-average level of CO₂ emissions released by energy-intensive industries, by the steel and the non-ferrous sector for example, are largely process-related. The energy efficiency potential of the EU producers has not reached its limit with the current technology. Unless a technological leap in the production process can be achieved, further investments are needed to prevent additional emission capping from being translated into a reduction in the level of production at the expense of massive job losses. Both the steel and the non-ferrous sectors are in a fierce worldwide competition with producers who neither fulfil the European efficiency standards nor face any emission restrictions.

The high level of costs and the uncertainty of the price development connected to an auctioning system will inevitably lead to postponing investments or directly shifting production outside the European Union. The European Metalworkers' Federation advocates maintaining an industrialised Europe and considers the steel industry as a driver of technical innovation and therefore as a key industry for the European economy. The displacement of CO₂ emissions outside of the European Union ('carbon leakage' risk) will not only cause serious social problems, it will also have an adverse effect on worldwide emissions. The price of improving Europe's CO₂ balance sheet at the expense of the energy-intensive industries is an increase in emissions and other environmental problems outside of the EU.

For the energy-intensive sectors subject to international competition, allocation by auction is unfeasible unless EU competitors bear similar costs associated with their emissions. For these sectors, we urge the European Commission to install a system of free allocations according to benchmark principles. The best techniques available should be used as a benchmark to define the level of allocation free of charge.

Installations failing to comply with this benchmark would have to purchase permits. The benchmark will need to be revised regularly to take account of technological progress.

In the mean time, the European steel industry is developing new production technologies and new products through huge investments in research and innovation in order to obtain further reduction of CO₂ emissions, following the priorities established by the European Steel Technology Platform (ESTEP). Furthermore, all available alternatives, the carbon capture technology for example, should be investigated and tested.

Compared to the free allocation of certificates based on benchmark principles, any form of border taxation imposed on imported products to take account of their carbon footprint is less desirable. The EMF regards border taxation only as the ultima ratio to secure a common level playing field with international competitors in the absence of any other regulation. The EMF would clearly favour an international post-Kyoto agreement including an international system of carbon pricing and we support the European Commission's efforts in this matter. Any European solution should be ambitious and at the same time realistic to keep

Europe as a driver of environmental protection. Any European solution should also be evaluated in the light of the outcome of such an international agreement. However, the intention to conclude a European solution now and not analyse the consequences of a very vague potential international agreement not taking place until 2011 is unacceptable.

Furthermore, the EMF fully agrees with the EU's efforts to work towards an international consensus for the post-Kyoto period; however we need a strong industry within Europe to serve as a benchmark for the environmentally-friendly production of steel and nonferrous metals and for the protection of high social standards. Anything else will weaken the European position towards an international consensus.

In this context, the EMF calls on the decision-makers in the European Parliament, Council and Commission to:

- Continue the efforts to reduce CO₂ emissions in the European Union and to work towards an international consensus for the post-Kyoto period. Ensure high social and environmental standards,

as well as a high level of employment, via legislation that acknowledges social, economic and environmental aspects.

- Undertake all possible efforts to maintain the European Union as a region with a strong and sustainable industrial backbone, in which the steel industry is a strategic industry and remains a driver of technical innovation.
- Provide clarity now on free allocation of emission certificates for the energy-intensive steel and nonferrous industry ('carbon leakage' risk).
- Define the sectors with a carbon leakage risk for the whole period until 2020 and no revision every three years so as to enable long term planning in terms of future investments.
- Establish and introduce a European Benchmark system based on 'BAT' ('best-available technology'), which would represent a further, demanding incentive for CO2 reduction in industry. Companies which do not reach the benchmark level would have to contribute financially to an environmental research and development fund.
- Give incentives to the industry to increase their more efforts in terms of research and development and innovation for a cleaner and more energy-efficient production.
- Stimulate increased social dialogue between the social partners, EMF and Eurofer and the European Commission which can lead to an improved consultation process where the interests of all involved parties are covered.
- Set up a procedure to ensure that all Member States participate in 'effort sharing' and that they do indeed undertake sufficient efforts to reduce CO2.
- Set aside revenues from auctioneering for climate protection and not divert them to general finance budgets.