

Assumptions to be used for new EU ETS carbon leakage list 2015-2019

Registration	
What is your profile? -single choice reply-(compulsory)	Trade association representing businesses
Please enter the name of your business/organisation/association etc: -open reply-(compulsory)	
Eurogypsum - representing the European Gypsum Sector. Transparency Register Number: 26369367005-58	
Please enter your contact details (address, telephone, email): -open reply-(compulsory)	
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If relevant, please state if the sector/industry you represent falls under the scope of the EU ETS: -single choice reply-(compulsory)	Yes
Please explain why the question above is not relevant in your case (max 500 characters) -open reply-(optional)	
If your sector/industry falls under the scope of EU ETS, does the sector/company you represent receive free allocation under the harmonised allocation rules? -single choice reply-(compulsory)	Yes
Please explain why the question above is not relevant in your case (max. 500 characters) -open reply-(optional)	
I. General: competitiveness, carbon leakage and the 2009-2014 carbon leakage list	
As stipulated in the ETS Directive, the aim of the EU Emission Trading System is to promote reductions of greenhouse gas emissions in the most cost-effective and economically efficient manner. To address the risk that, for reasons of costs related to climate policies, relocation of companies to areas which have laxer constraints on greenhouse gas emissions could lead to an increase of carbon dioxide emissions, Commission Decision 2010/2/EU has established the list of sectors and subsectors which are deemed to be exposed to a significant risk of carbon leakage. This list is valid from 2009 to 2014 included, and is incorporated in the determination of free allocation for 2013 and 2014. In your view, how has the risk of carbon leakage evolved since the adoption of the first carbon leakage list in 2009: -single choice reply-(compulsory)	Increased substantially
If you wish, please motivate your answer (max. 1000 characters) -open reply-(optional)	
Progress on a new Global Climate Agreement has not been as rapid as might have been expected when the 2009 list was first compiled. Therefore, the wider context is that equivalent schemes are still absent outside of the EU. In addition, more recent data demonstrates an increased risk for our sector, based on: 1. A persistently difficult economic climate and market conditions, which in turn, makes investment more difficult; 2. Greater market penetration of products from outside the EU; 3. The threat of production capacity and infrastructure just outside of the EU; 4. Competitive impacts caused by some sectors being on the carbon leakage list vs. others not on the list.	
In your view, how adequate policy instruments are free allocation and the increased allocation for sectors on the carbon leakage list in particular in relation to the risk of	Quite adequate

carbon leakage? -single choice reply-(compulsory)	
If you wish, please motivate your answer (max. 1000 characters) -open reply-(optional)	
Free allocation is necessary to counter the threat of carbon leakage in exposed sectors. At the same time, free allocation is limited by stringent benchmarks and the potential application of a Cross Sectoral (correction) Factor (CSF), which in turn, would reduce free allocation further for all installations.	
Currently 154 sectors and 16 sub-sectors are on the carbon leakage list valid for 2009-2014. In your view, how adequate is the coverage of sectors and sub-sectors in the current carbon leakage list? -single choice reply-(compulsory)	The carbon leakage list is too short
If you wish, please motivate your answer (max. 1000 characters) -open reply-(optional)	
The current list is almost adequate i.e. it requires updating to include those sectors that have demonstrated a significant risk of carbon leakage. The quantitative assessment is by definition, retrospective and it is very important that qualitative assessments are done where relevant. The qualitative analysis supplements the quantitative analysis, adding further context and an essential forward looking element. The current discussion relates to the list covering the period 2015-2019, so it is appropriate that future risks and costs are considered and assessed. The carbon leakage list must be as accurate as possible as it also has an impact beyond the EU ETS - becoming a reference for other European legislation.	
II. Methodology for new carbon leakage list 2015-2019: options to be discussed in the Impact Assessment	
In your view, is there an increase of the ambition of domestic climate policies undertaken in countries outside the EU/EEA since 2009? -single choice reply-(compulsory)	Yes, some increase
If you wish, please motivate your answer (max. 1000 characters) -open reply-(optional)	
The growing interest in ETS outside Europe is encouraging, but at the same time - progress is very limited, both geographically and in terms of the level of ambition of other schemes. Therefore, this limited increase does not equate to comparable ambition and the countries undertaking action do not account for a decisive share of global production in accordance with ETS Directive Art. 10a (18).	
Australia -single choice reply-(compulsory)	Not comparable to the ETS
Switzerland -single choice reply-(compulsory)	Partially comparable to the ETS
If you wish, please motivate your answer (max. 1000 characters) -open reply-(optional)	
China -single choice reply-(compulsory)	Not comparable to the ETS
South Korea -single choice reply-(compulsory)	Not comparable to the ETS
New Zealand -single choice reply-(compulsory)	Not comparable to the ETS
USA -single choice reply-(compulsory)	Not comparable to the ETS
Brazil -single choice reply-(compulsory)	No opinion
Russian Federation -single choice reply-(compulsory)	No opinion
Middle Eastern countries -single choice reply-(compulsory)	No opinion

Other country (please specify below) -single choice reply-(optional)	No opinion
If you wish, please motivate your answer (max. 2000 characters) -open reply-(optional)	
<p>Many of the regimes quoted are still developing and cannot therefore be deemed to be comparable. For example, ETS in China is currently being developed as a series of pilot projects. This appears to be more of a testing phase that will inform policy in the future. As such, fully functioning ETS markets still appear to be some way off in these countries. Alternative schemes should only be classified as equivalent or near equivalent when they are underpinned by clear policy, legislation and infrastructure and when their outcomes are more certain or guaranteed.</p>	
<p>The ETS Directive requires the use of the Eurostat NACE classification (Statistical Classification of Economic Activities in the European Community^[1]) for the definition of sectors to be assessed for potential inclusion in the carbon leakage list. In your view, what should be the starting point for the analysis of sectors, taking into consideration both feasibility and the structure of European industry?</p>	NACE-4
<p>[1] http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-RA-07-015/EN/KS-RA-07-015-EN.PDF -single choice reply-(compulsory)</p>	
If you wish, please motivate your answer (max. 1000 characters) -open reply-(optional)	
<p>According to recital 24 of the Directive, sectors should be assessed - as a starting point, at a 3-digit level (NACE-3 code) or, where appropriate and where the relevant data are available, at a 4-digit level (NACE-4 code). In our view, NACE-4 level is a good starting point which gives a reasonable indication for many sectors to build on for further analysis, where necessary. A NACE-3 level analysis may be appropriate for some sectors, depending on the sector's structure. However, exposed sectors or sub-sectors may be hidden in the NACE-4 level. In this case, a more detailed analysis on deeper levels is appropriate. It is therefore vital that industry federations are consulted and that these federations can ask for assessment at the appropriate level of detail, as determined by EU ETS Directive Art. 10a (13).</p>	
<p>In your view, the auctioning factor (an estimation concerning the share of allowances to be acquired if not on the carbon leakage list) should be: -single choice reply-(compulsory)</p>	Uniform for all sectors
If you wish, please motivate your answer (max. 1000 characters) -open reply-(optional)	
<p>The current carbon leakage list, applied for free allocation in 2013 and 2014, is based on a carbon price of €30. In your view, is this an adequate carbon price to be used for the new carbon leakage list for the period 2015-2019? -single choice reply-(compulsory)</p>	Yes
Please motivate your answer (max. 1000 characters) -open reply-(optional)	
<p>Legally, the EUA price of € 30/ton CO2 must be used according to the impact assessment (ref. EU ETS Directive Art. 10a (14)).</p>	
<p>In your view, which is the most adequate CO2 emission factor that should be used for the calculation of indirect costs? -single choice reply-(compulsory)</p>	Emission intensity of marginal electricity generation in the current system
If you wish, please motivate your answer (max. 1000 characters) -open reply-(optional)	
<p>Measurable -single choice reply-(compulsory)</p>	3
<p>Relevant -single choice reply-(compulsory)</p>	4

Important -single choice reply-(compulsory)	4
Measurable -single choice reply-(compulsory)	3
Relevant -single choice reply-(compulsory)	5
Important -single choice reply-(compulsory)	5
Measurable -single choice reply-(compulsory)	3
Relevant -single choice reply-(compulsory)	5
Important -single choice reply-(compulsory)	5
If you wish, please motivate your answer (max. 1000 characters) -open reply-(optional)	
<p>B.A.15: It is important to consider the abatement potential (including technical feasibility) of sectors to reduce their emissions. This is particularly important for those installations that are close to optimising their efficiency and may require breakthrough technologies in order to make any further substantial reductions. B.A.16 and 17: Current & projected market characteristics, e.g. increasing trade intensity & anticipated profit margins are very relevant/important because these directly impact the capacity of installations to invest in CO2 abatement amongst other things. Forward trends in these parameters can also be an important factor in assessing the significance of carbon leakage risk. In addition to this, the EUETS should not create barriers to new entrants, including SME's. In this respect, a sectoral review of the qualitative criteria can highlight important barriers.</p>	
Complete -single choice reply-(compulsory)	4
Adequate -single choice reply-(compulsory)	3
Comparable across sectors -single choice reply-(compulsory)	2
Transparent -single choice reply-(compulsory)	2
Well-structured -single choice reply-(compulsory)	3
Clear and understandable -single choice reply-(compulsory)	3
If you wish, please motivate your answer (max. 1000 characters):	
-open reply-(optional)	
<p>Sectors should be able to present both quantitative & qualitative evidence to the Commission for review. Sectors are not all impacted in exactly the same way and therefore, specific circumstances should be considered in the overall analysis. We do not support the Ecofys/Öko-Institut proposal set out in the study where the 3 criteria are applied as filters - in series. The Directive (art. 10a (17) does not prescribe the hierarchy proposed (step 1-3). Therefore, any assessment should be conducted as a balanced review of all factors cumulatively making the case for carbon leakage. Using the filters as described could mean that sectors are prematurely filtered out of the assessment and therefore prevented from making important submissions of evidence if their case, based on the first of the criteria, is weaker than the case for the subsequent criteria. The low transparency score is simply a reflection of the fact that a lot of the qualitative data is highly commercially confidential.</p>	
In the context of qualitative assessment, after considering the indicators listed in the study, do you consider that other indicators/variables should be taken into account when gathering basic evidence? Please explain (max. 2000 characters)	
-open reply-(optional)	

Other factors that should be considered are: 1. Unintended consequences - such as the potential for competitive disadvantage to sectors that are less carbon intensive i.e. low carbon solutions being disadvantaged by having to purchase significantly more allowances than a competing high carbon solution; 2. Problems incurred when installations approach or reach a thermodynamic minimum in terms of the capacity for emissions reductions.

If you wish, please provide any general comments on the questionnaire -open reply-(optional)

Any carbon leakage assessment needs to consider the potential application of a CSF and impacts associated with new entrants during the phase. Also important is the relative ease for production to shift to countries just outside of the EU – especially where production infrastructure and capacity already exists and is under-utilised in the current economic climate.