European Alliance of Energy Intensive Industries opposes EU unilateral move to -30%

Untimely move to further unilateral EU constraints and costs will threaten EU economy

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The European Commission is discussing internally proposals by 'Climate Action' Directorate to move the unilateral EU emission reduction target further down to -30%.

The Alliance of Energy Intensive Industries calls upon the Commission not to further develop a -30% unilateral policy, but to focus instead on international negotiations and the long term policy of meeting the 2050 targets while keeping a competitive industry in Europe.

Unfortunately COP15 in Copenhagen did not deliver a binding global agreement to tackle climate change. The EU offer in Copenhagen to move to -30% did not trigger readiness to accept similar binding commitments by other regions.

We recall that the EU had made the commitment to move to a -30% emission reduction by 2020 only "provided that other developed countries commit themselves to comparable emission reductions and that developing countries contribute adequately according to their responsibilities and respective capabilities."

Scenarios suggesting that the EU could now move to a more ambitious target (since the costs did not in theory substantially exceed those originally envisaged for the 20% target) do not take into account new economic realities: the economic downturn has in fact dramatically reduced the capacity of EU industry and society to cope with unilateral burdens. Even a desirable fast economic recovery will not automatically put the EU in a position ready to take on additional unilateral constraints - prohibiting unrealistic, macro-economic forecasting and extrapolations.

Global growth of manufacturing industry will continue with or without EU participation. However, the EU has the choice to participate while providing the technologies necessary to reduce GHG emissions, or to stimulate an exodus of EU industry without developing breakthrough technologies in Europe.

The global economic crisis has not relieved carbon leakage pressures on EU industries: according to the EC, the EU lost millions of jobs (10% in 4Q2009) and 20% of manufacturing output during 2009. Currently 'low' market prices of carbon reflect the collapse in consumer demand, the slow-down of economic activity of manufacturing industries and the consequent reduction in emissions. However, **EU industries' exposure to competing economies without carbon constraints has by no means decreased and must not be further increased by additional, unilateral policies that have proven to be unsuccessful in international negotiations earlier on**.

It is unacceptable to suggest manipulating carbon markets by withholding allowances from the market in order to reach environmental objectives in isolation from the rest of the world. This would further destabilise industrial operators' prospects under the EU emissions trading system: cancelling allowances in order to reach even more ambitious targets restricts EU companies' ability to purchase emission rights, and causes increases of direct costs and electricity prices, further **endangering industries' ability to operate in Europe**. Such policies run against the EU Lisbon Agenda and the EU 2020 Strategy. Moreover, industry still awaits the regulatory proposal for compensation for the CO2 costs in electricity prices; these indirect cost impacts must also be integrated when assessing the risk of carbon leakage.

EU industries are already operating under the most stringent climate change and environmental policies worldwide while at the same time exposed to international competition. European Energy Intensive Industries will play their part in meeting the EU ETS 2020 target of -21% which effectively is 30% to 35% compared to 1990 levels. This already constitutes a major challenge to industry.

Industry understands the need to draft new policies after Copenhagen in order to meet the two degree objective, comparable to a global -50% by 2050 and to do so cost-effectively. However, only an international agreement that will include equal commitments from all developed countries and an adequate contribution of other developing countries, whilst also providing equal treatment and thus a level playing field for globally traded goods, will be able to tackle the global issue of climate change.

Europe's energy-intensive industries have an aggregated turnover of more than 1000 billion Euros per year and provide direct employment to over 3 million people. Manufacturing is closely interlinked with Europe's entire economic fabric, downstream processing, R&D and innovation.