

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

<b>Registration</b>	
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)	
Mineral Products Association	
Please enter your contact details (address, telephone, email): -open reply-(compulsory)	
Dr Richard Leese Gillingham House 38-44 Gillingham Street London SW1V 1HU Richard.Leese@mineralproducts.org 00447870179758	
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)	
<b>I. General: competitiveness, carbon leakage and the 2009-2014 carbon leakage list</b>	
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 slightly
If you wish, please motivate your answer (max. 1000 characters) -open reply-(optional)	
High energy and electricity costs in EU compared to the rest of the world have further reduced the competitiveness of EU's industry compared to 2009. Although the EUA carbon price may be low, the cost pass through of full auctioning by power generators significantly increases the indirect cost for energy intensive industries (EII). Leakage attributable to Phase I and II may be limited but the absence of a global carbon price combined with a reduction in shipping costs considerably increases the potential for leakage in Phase III. In the UK, EIIs face an increasing cost burden as a result of UK climate change policies. This includes the Carbon Price Floor (CPF), a tax levied on fossil fuels used in electricity generation and passed on to electricity consumers. For the UK cement industry CPF will add around €4.3m to electricity bills in 2013 rising to €21.5m by 2017. These policies have resulted in an effective UK carbon price that is much higher than that in other member states.	

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 carbon leakage? -single choice reply-( <b>compulsory</b> )	Quite adequate
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If you wish, please motivate your answer (max. 1000 characters) -open reply-(**optional**)

Free allowance allocation does not result in an EU ETS site receiving allowances for 100% of its emissions. Differences in allocation base year activity means that some operators will face higher costs than others. This creates competitiveness issues. In addition, only some of the sectors deemed vulnerable to carbon leakage are able to claim compensation for the indirect costs of EU ETS. The cement sector has not been granted this compensation but competing sectors in the construction market, such as steel, are able to obtain compensation in some member states. Despite these issues the limited evidence of carbon leakage directly attributable to ETS indicates that free allocation is working to protect vulnerable industries to the effects of carbon leakage. As long as carbon emissions do not have the same cost in different countries, a level playing field can be achieved most effectively by equalising measures such as border adjustment measures or free allocation provision.

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-( <b>compulsory</b> )	No opinion
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If you wish, please motivate your answer (max. 1000 characters) -open reply-(**optional**)

The length of the list is irrelevant. The sectors that appear on the list have been assessed against the criteria set in the Directive and found to be vulnerable.

## 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-( <b>compulsory</b> )	Yes, some increase
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If you wish, please motivate your answer (max. 1000 characters) -open reply-(**optional**)

Although there has been some increase in the ambition of domestic climate policies undertaken in countries outside the EU/EEA, globally we are still no closer to forming an equalised climate policy and carbon price. As a consequence trade with countries outside the EU/EEA with domestic climate policies should still be treated differently to intra-EU trade until such as time as an equivalent CO2 price is applied to those traded goods. In addition, there are differences in European member state climate change policies, which have differing levels of ambition. Although these influence the implementation of the EU climate change package, the differences are not recognised in the leakage assessment and therefore it is not consistent to recognise those from countries outside the EU/EEA in the leakage assessment.

Australia -single choice reply-( <b>compulsory</b> )	Not comparable to the ETS
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Switzerland -single choice reply-( <b>compulsory</b> )	Fully comparable to the ETS
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If you wish, please motivate your answer (max. 1000 characters) -open reply-(**optional**)

The response to B.A.3 is based on the carbon price faced by the manufacturer, which in turn is a function of allocation and protection measures.

China -single choice reply-( <b>compulsory</b> )	Not comparable to the ETS
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South Korea -single choice reply-( <b>compulsory</b> )	Not comparable to the ETS
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New Zealand -single choice reply-( <b>compulsory</b> )	Not comparable to the ETS
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USA -single choice reply-( <b>compulsory</b> )	Not comparable to the ETS
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Brazil -single choice reply-( <b>compulsory</b> )	Not comparable to the ETS
Russian Federation -single choice reply-( <b>compulsory</b> )	Not comparable to the ETS
Middle Eastern countries -single choice reply-( <b>compulsory</b> )	Not comparable to the ETS
Other country (please specify below) -single choice reply-( <b>optional</b> )	Not comparable to the ETS
If you wish, please motivate your answer (max. 2000 characters) -open reply-( <b>optional</b> )	
<p>Only policies that introduce a carbon price equal to that in the EU, with a comparable methodology in assessing GHG emission reductions and equivalent monitoring, reporting and verification efforts can be comparable to EU ETS. There should be no recognition of other trading schemes in the 2014 carbon leakage assessment (with the exception of Switzerland) because other countries (with or without trading schemes) do not currently face comparable CO2 costs. Recognition of such schemes can only be given once there is equalisation of carbon price. This equalisation will only be achieved once a critical mass of participating economies has been reached, we are not currently close to this critical mass.</p>	
<p>The ETS Directive requires the use of the Eurostat NACE classification (Statistical Classification of Economic Activities in the European Community<sup>[1]</sup>) 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]  <a href="http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-RA-07-015/EN/KS-RA-07-015-EN.PDF">http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-RA-07-015/EN/KS-RA-07-015-EN.PDF</a>  -single choice reply-(<b>compulsory</b>)</p>	
If you wish, please motivate your answer (max. 1000 characters) -open reply-( <b>optional</b> )	
<p>NACE 4 provides the minimum level of disaggregation to properly identify the cement sector. Official data at NACE 4 should be used although more detailed data (than is provided by NACE 4) may be required in some circumstances.</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-( <b>compulsory</b> )	Uniform for all sectors
If you wish, please motivate your answer (max. 1000 characters) -open reply-( <b>optional</b> )	
<p>A uniform level of auctioning is required to ensure harmonisation of the scheme.</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-( <b>compulsory</b> )	Yes
Please motivate your answer (max. 1000 characters) -open reply-( <b>optional</b> )	
<p>The Directive is predicated on a regulatory impact assessment which clearly states the necessity to use €30/tCO2 and deviation from this would present a legal departure from the Directive. The Commission must therefore not deviate from €30/tCO2 when assessing sectors for the 2014 carbon leakage list.</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-( <b>compulsory</b> )	Emission intensity of marginal electricity generation in the current system
If you wish, please motivate your answer (max. 1000 characters) -open reply-( <b>optional</b> )	
<p>In 2009 and 2010 the Alliance of Energy Intensive Industries, of which the cement industry is a participant, provided clear evidence that</p>	

the emission intensity of marginal electricity generation determines the cost impact AND the environmental impact (for savings and extensions) – Marginal electricity generation acknowledged by the Commission: state aid guidelines for the financial compensation of 22 may 2012 – Weighted Average CO2 factors of state aid guidelines multiplied with gross electricity production Eurostat 2011 (2008 data) give EU Weighted Average of 0.723 ton CO2/MWh (= 55% higher impact)

Measurable -single choice reply-(compulsory)	5
Relevant -single choice reply-(compulsory)	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)	5
Relevant -single choice reply-(compulsory)	1
Important -single choice reply-(compulsory)	1

If you wish, please motivate your answer (max. 1000 characters) -open reply-(optional)

All three indicators discussed in questions BA15 through to BA18 are relevant to a qualitative assessment but they would have to be evaluated in terms of the future rather than the past.

Complete -single choice reply-(compulsory)	2
Adequate -single choice reply-(compulsory)	3
Comparable across sectors -single choice reply-(compulsory)	4
Transparent -single choice reply-(compulsory)	4
Well-structured -single choice reply-(compulsory)	1
Clear and understandable -single choice reply-(compulsory)	4

If you wish, please motivate your answer (max. 1000 characters):  
-open reply-(optional)

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)

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

