Questions for stakeholder consultation on Emission Trading System (ETS) post-2020 carbon leakage provisions

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0. Registration

0.1 What is your profil? -single choice reply-(compulsory)	b) Trade association representing businesses

0.2 Please enter the name of your business/organisation/association etc. (maximum 500 characters): -open reply-(compulsory)

EUROGAS

0.3. Please enter your contact details (address, telephone, email): -open reply-(compulsory)

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0.4 If relevant, please state if the sector/industry you represent falls under the scope of EU ETS: -single choice reply-(compulsory)	b) no
0.5 The results of this stakeholder consultation will be published unless stated otherwise. Can we include your replies in the publication? -single choice reply-(compulsory)	1) yes

I. General: competitiveness, carbon leakage and present free allocation rules

Question 1: Do you think that EU industry is able to further reduce greenhouse gas emissions towards 2020 and beyond, without reducing industrial production in the EU? -single choice reply-(compulsory)	a) yes

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

We think that industry can further reduce greenhouse gas emissions towards 2020 and beyond. The question of whether this reduces industrial production in the EU depends on several factors including: the contribution towards greenhouse gas reductions from the EU's trading partners, the adequacy of revised carbon leakage measures and the level of support available for research, development and innovation.

Question 2: Do you think that the EU ETS helps	a) yes

the EU industry to become more energy efficient, and thus contributes to increasing the competitiveness of European industry in the long-term? -single choice reply-(compulsory)	
If you wish, please motivate your answer (max. 1000 characters): -open reply-(optional)	
The EU ETS is the best possible tool for EU industry to become more energy efficient, as it is a market based mechanism, which promotes the most cost-efficient solution. It is also technology neutral, thereby allowing all available low-carbon options to compete to provide the best possible outcome.	
Question 3: Do you think the EU needs to provide special (transitional) measures to support EU industry covered by the EU ETS, in order to address potential competitiveness disadvantages vis-à-vis third countries with less ambitious climate policy? -single choice reply-(compulsory)	a) yes
If you wish, please motivate your answer (max. 1000 characters): -open reply-(optional)	
As long as the EU's international trading partners do not make equivalent efforts to reduce greenhouse gas emissions, carbon leakage remains an important issue and direct as well as indirect additional costs to companies exposed to global competition should be addressed. The goal for the EU should be an international agreement whereby the EU's trading partners make such an equivalent effort, meaning such measures will no longer be needed.	
Question 4: In your view, how adequate a policy instrument is free allocation and, in particular, increased free allocation for certain industrial sectors to address the risk of carbon leakage? -single choice reply-(compulsory)	b) quite adequate
If you wish, please motivate your answer (max. 1000 characters): -open reply-(optional)	
While "quite adequate" has been ticked in response to this question, the extent of the adequacy will depend on the design of the detailed methodology. The application of free allowances should be made on the basis of evidence provided by the sectors concerned. Furthermore, the application of free allocations should be used as a short to medium-term tool, while international trading partners do not make equivalent efforts. The objective for the EU should be an international agreement which makes carbon leakage measures unnecessary.	
Question 5: In your view, how does free allocation impact the incentives to innovate for reducing emissions? -single choice reply-(compulsory)	e) I don’t know
If you wish, please motivate your answer (max. 1000 characters): -open reply-(optional)	
As stated earlier, the need for carbon leakage measures and hence free allocations is recognised. However, free allowances, by their very nature, do compromise the signal for innovation. At the same time, the strength of the signal that remains is very dependent on the method of allocation and in particular the methodology used for deriving the benchmark for the allocation of free allowances. Furthermore, the strength of this signal will depend on the length of the free allocation period, amongst other things.	
Question 6: In your view, is the administrative	e) I don’t know

burden for companies to ensure the free allocation via the implementation of the benchmarking provisions proportionate to the objectives? -single choice reply-(compulsory)	

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

II. Options for post-2020

A. Strategic choices

Question 7: What share of the post-2020 allowance budget should be dedicated to carbon leakage and competitiveness purposes? -single choice reply-(compulsory)	f) I don't know

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

The share dedicated to industry should be made on the basis of evidence provided by the sectors concerned in respect of those sectors where the EU's international trading partners do not make equivalent efforts.

Question 8: Currently the European Commission implements the NER300 programme to provide from EU ETS specific support for large-scale demonstration of Carbon Capture Storage (CCS) projects and innovative renewable energy. 300 million allowances, representing ca. 2% of total phase 3 allowances, are dedicated for this purpose. What share of the post-2020 allowance budget should be dedicated to such innovation support? -single choice reply-(compulsory)	b) the same share as in Phase 3

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

This question has been selected with the case of CCS specifically in mind. Evidence suggests that for its current stage of development, a substantially higher share of public funding and greater public acceptance are required. Therefore, the direct competition with renewables under NER300 should be reduced and additional funding instruments for low-carbon investments be considered (see Q9&10) in order to assist CCS in achieving maturity. In the long run, the ETS should be seen as the long-term support for low-carbon technologies which are considered mature.

Question 9: At the moment, EU ETS rules do not contain a specific support scheme for industrial innovation and deployment of new low-carbon technologies (apart from support for CCS and renewables under the NER300). Do you think there should be such a financial support scheme? -single choice reply-(compulsory)	a) yes

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

Consideration should be given to the recycling of auction revenues in support of low-carbon investment, including in CCS, bio-methane

and power to gas technologies.	
Question 10: If innovative low carbon technologies in the industry are to be further supported, which could be possible sources of funding? -single choice reply-(compulsory)	b) It should be funded through a new dedicated scheme financed by the revenues from auctioning (e.g. x% of the auctioning revenues);
If you wish, please motivate your answer (max. 1000 characters): -open reply-(optional)	
See Answer to Question 9	
Question 11: In your view, is there a need for additional measures beyond free allocation and EU-level innovation support to address the risk of carbon leakage for energy intensive sectors covered by the EU ETS, post-2020? -single choice reply-(compulsory)	a) yes
If you wish, please motivate your answer (max. 1000 characters): -open reply-(optional)	
The focus should be on designing a free allocation methodology which deals adequately with carbon leakage caused by additional costs that companies exposed to global competition do not incur outside the EU. In the case of indirect costs, further additional schemes should only be used where there is clear evidence of their necessity and should be limited to these cases. Any measures should avoid complexity and not undermine the ETS.	
II. Options for post-2020 **B. Allocation modalities**	
Question 12: Currently there are two categories for sectors in terms of exposure to the risk of carbon leakage: sectors are either deemed to be exposed to such risk (the sectors on the carbon leakage list) or not (sectors not on the carbon leakage list). Should the system continue with two carbon leakage exposure groups or is some further differentiation needed? -single choice reply-(compulsory)	e) I don't know
If you wish, please motivate your answer (max. 1000 characters): -open reply-(optional)	
Question 13: Under the current system, exposure of sectors to the risk of carbon leakage is primarily measured by the share of 'carbon costs' in their gross value added (GVA) and by the intensity of trade with third countries. What carbon leakage criteria should be defined for the post-2020 period? -single choice reply-(compulsory)	g) I don't know
If you wish, please motivate your answer (max. 1000 characters): -open reply-(optional)	

Question 14: What thresholds should be defined for the criteria measuring the risk of carbon leakage? -single choice reply-(compulsory)	c) I don't know
If you wish, please motivate your answer (max. 1000 characters): -open reply-(optional)	
Question 15: In the current system, there is a possibility to assess the exposure of sectors to the risk of carbon leakage also based on qualitative criteria (abatement potential, market characteristics and profit margins). Do you think that similar qualitative criteria should be maintained to complement the quantitative criteria? -single choice reply-(compulsory)	c) I don't know
If you wish, please motivate your answer (max. 1000 characters): -open reply-(optional)	
Question 16: Currently, the list of sectors exposed to the risk of carbon leakage is valid for five years. What should be the validity of the list for the post-2020? -single choice reply-(compulsory)	a) five years
If you wish, please motivate your answer (max. 1000 characters): -open reply-(optional)	
This has been answered '5 years', as on the one hand this period offers some stability to support industry invest in new low-carbon technology, but on the other hand, does not overly restrict Europe in making progress on international agreements (i.e. carbon leakage measures can be changed if international partners make greater commitments). It is also recommended that carbon leakage lists are published in good time ahead of their implementation, to improve the ability of participants to plan for the future.	
Question 17: Currently benchmarks are set to the average greenhouse gas emission performance of the 10% best performing installations in the EU for a given product. What adaptations of benchmarks for 2021 onwards should be considered, if any? -single choice reply-(compulsory)	d) I don't know
If you wish, please motivate your answer (max. 1000 characters): -open reply-(optional)	
Question 18: Should the benchmarks be revised to reflect the technological state of the art? -single choice reply-(compulsory)	c) I don't know
If you wish, please motivate your answer (max. 1000 characters): -open reply-(optional)	
The nature of a benchmark is that it reflects a desired performance level. However, when comparing various industrial plants as part of a benchmarking exercise, the age of a plant amongst other things should be taken into account.	

Question 19: Currently, historical production data are used to determine the allocation due to each installation. Operators had the possibility to choose between 2005-2008 or 2009-2010 as basis years. Should the production data used to calculate allocations in Phase 4 (post 2020) be updated? -single choice reply-(compulsory)	b) yes, production levels in 2016-2018 should be the basis for post 2020 (Phase 4) allocation
If you wish, please motivate your answer (max. 1000 characters): -open reply-(optional)	
Further consideration might be warranted to ensure that this does not mean investments are delayed until the start of each trading period.	
Question 20: Is there a case for any deviations from general harmonised allocation rules, and what would be the risks involved? -single choice reply-(compulsory)	a) no, there should be no deviations
If you wish, please motivate your answer (max. 1000 characters): -open reply-(optional)	
Deviations should be avoided to prevent distortion of the EU carbon market. Negative consequences of such deviations would affect all ETS sectors.	
Question 21: Should there be a harmonised EU-wide compensation scheme for indirect costs, i.e. for increases in electricity costs resulting from the ETS? -single choice reply-(compulsory)	e) I don't know
If you wish, please motivate your answer (max. 1000 characters): -open reply-(optional)	
Regardless of the chosen approach, any measures should only be used where there is clear evidence of their necessity and should be limited to these cases. Any measures should avoid complexity and not undermine the ETS.	

II. Options for post-2020

C. Innovation support

To implement a small-scale prototype -single choice reply-(compulsory)	Important
At the conception stage -single choice reply-(compulsory)	Less important
To implement a large-scale pilot -single choice reply-(compulsory)	Most important
At the commercialisation stage -single choice reply-(compulsory)	Least important
If you wish, please motivate your answer (max. 1000 characters): -open reply-(optional)	
We have answered the above with respect to the development of CCS. A different answer is likely to apply for different technologies. Mature technologies should not be supported regardless of whether they are commercially feasible or not. Existing national support schemes should be phased out for all mature technologies, but without retroactive effect.	
Question 23: Should the allowances funding	c) from both

low-carbon innovation support come from the Member States' auction budgets or from free allocation? -single choice reply-(compulsory)

If you wish, please motivate your answer (max. 1000 characters):

-open reply-(optional)

Consideration can be given to the recycling of auction revenues in ETS sectors and revenues from equivalent measures in non ETS sectors in support of low-carbon investment. Consideration should also be given to funds being provided from outside of the ETS scheme.

Section II:

D. Other issues

Question 24: Are there any other issues you would like to raise? -open reply-(optional)