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Energy intensive industries need clarity soon in EU ETS

More clarity needed soon

In the European Commission 's proposal for the future of the EU CO₂ emission trading system (EU ETS) published yesterday instead of clarifying the future trading system, it seems to have brought new discussions and challenges. Not all definitions are clear, boundaries differ and decisions are delayed until 2010.

CEPI however welcomes the special considerations for energy intensive industries, like the pulp and paper industry that were asked for by the EU Council in March, 2007. "It is essential however that the pulp and paper industry is recognised as an energy intensive industry immediately. and the proposal to decide only in 2010 which sectors will still receive partial free allocation of CO₂ credits, based on their competitive position in 2020, is much too late." said Presas".

First direct EU tax

The introduction of large scale auctioning causes concern. CEPI agrees that the current ETS needed revision and improvements could be made, but the proposed introduction of large scale auctioning of emission credits is unnecessary and has no added environmental effect.

The EU ETS adopted yesterday will generate up to 75 billion Euros per year in 2020, as the impact assessment shows. This will see the largest amount of money being taken out of the EU economy ever, unprecedented in scale and impact. Full auctioning is not needed to ensure a properly functioning carbon market or carbon price and will not help industry to meet the required targets but it will unnecessarily damage European industry. ETS sectors need to reduce by 21% compared to 2005, not by 100%.

The spending of these funds by member states is even dictated in the directive. In practice this means that the EU ETS has turned into the first direct EU tax in history, by which the climate policy will collect funds that will be used partly to finance competitors to EU industries in developing economies and again present an un-level playing field in Europe which will ultimately harm the competitiveness of Europe.

High stakes

The pulp and paper industry emitted a total of 39 million tonnes of CO₂ in 2006, about 2% of the emissions in the EU ETS and 1% of EU emissions. At the current carbon price of 25 euro almost one billion euros will be taken out of the industry, which is equivalent to its current annual average net income. This will seriously affect the competitiveness and profitability of the sector and will effectively transfer the industry's wealth to EU coffers.

"The sector can not pass these extra costs on to final consumers, as it does not set world market prices. Manufacturing costs are already high. The profits and success of European companies is therefore very dependent on their local, European, manufacturing." Said Teresa Presas, CEPI Managing Director "Any additional costs from ETS will further weaken the profitability of the EU industry, especially as global competitors do not face these extra costs." She concluded.



Note to the Editor

Currently the European pulp and paper industry is the only sector that uses bio-energy for half of its primary energy needs, contributing to almost a quarter of the EU bio-energy production. It has reduced the CO₂ emissions per tonne of paper by 35% since 1990 and is one of the sectors with the highest uptake of efficient combined heat and power technology (CHP) in the EU.

CEPI aisbl - The Confederation of European Paper Industries

The European paper industry is one of the most competitive and sustainable in Europe producing 100 million tonnes of paper and board and 40 million tonnes of pulp annually. It provides directly 230,000 jobs and indirectly 2,950,000 jobs along the forest and paper chain. The paper sector makes a vital contribution to the quality of every day life, and through its commitment to research and innovation, to that of tomorrow.

CEPI champions the interests of the pulp and paper industry in Europe, representing those interests towards the European Institutions. It monitors, analyses and acts upon EU legislation and initiatives relevant to industry, communicating on the industry's achievements and the benefits of its products. Through CEPI, the paper industry makes expert and constructive contributions to the official European consultation process with industry. CEPI directly represents the National Associations of the paper industry in 17 member countries across Europe.

Through its 17 member countries* CEPI represents 800 pulp, paper and board producing companies across Europe, ranging from small and medium sized companies to multi-nationals, and 1,200 paper mills. Together they represent 28% of world production.

(15 European Union members plus Norway and Switzerland)*