Position paper of the Sectoral Social Dialogue Committee „Extractive Industries" (SSDCEI) on EU Commission's climate package of 23 January 2008

The Social Dialogue Committee „Extractive Industries" (SSDCEI) wants to preserve the European Union as a competitive and environment-friendly industrial location. A sustainable policy for industry, energy and climate has to provide real protection for the climate, foster industrial development and innovation, secure a long term supply of environment- and climate-friendly energy and promote social progress.

Within that context, the location of industry within Europe depends on equitable internationally agreed targets and instruments for the reduction of emissions, a reliable framework for industrial innovations and investments as well as competitive electricity prices.

We want an industrial society in which social, economic and environmental values are equally promoted. The Social Dialogue Committee also supports the setting of ambitious targets on climate protection, but these targets must be realistic and achievable, imposing to European and foreign partners comparable constraints.

Planning reliability for investments

Energy-intensive industries in 2013 will have to purchase more than 20% of their CO_2-emissions by auction. With a yearly linear increase, full auctioning will be reached in 2020. From 2013 to 2020, up to 100% of allowances may be allocated for free but only to industrial sectors that are subject to a „significant relocation risk" to countries outside the EU, if enough allowances are available. For which sectors this will be valid, will be decided by the Commission but not until mid 2010.

Until then planning reliability for investments is lacking and this will lead to suspension and delay in investment decisions respectively. Also industry is not protected from the higher power prices due to price increases of electricity.

Setting the right innovation incentives

The proposed auctioning of all allowances will further increase electricity prices. With fuel specific benchmarks for all fossil fuels there is less risk that CO2 intensive fuels such as coal will be pushed out of the energy market and that downstream markets are distorted.

These politically driven price increases of coal through emission trading already today are leading to the revocation and abandoning of construction plans for new large power plants.
Such misleading policy in the short time leads to a lack of new plants and to a longer existence of less efficient old coal-power plants. In the medium term the coal power plants that have not been built will make us run short of electricity and increase its price.

The European power plant technology is a world leader with its efficiency levels of up to 47%. Should policy foster planning reliability and competitiveness of new and efficient coal power plants, energy efficiency of power production could increase by one third in the next 15 years. Worldwide opportunities are even greater, since the international efficiency levels are currently only at around 30%.

We need all energy sources we are using in Europe today to ensure a reliable and efficient electricity supply for the future.

Security of supply and cost effectiveness should remain serious targets

We need renewable energy and we will continue to expand it, but we also have to make a realistic assessment of the potential and costs of renewable energy. Even if the ambitious targets of the EU Commission for renewable energy are reached in 2020, still at least 70% of our electricity would need to be produced from other sources.

There is no way around coal as an energy source. Hard coal and lignite account for over half of European electricity supply. Coal energy will still be essential in Europe and worldwide for many decades.

We need a stable and reliable framework for investments in the substitution and construction of new efficient power plants. The emissions trading scheme should not threaten the competitiveness of hard coal and lignite-based electricity. This would lead to an irresponsible increase in import dependence on other fossil fuels.

Relocation of production leads to CO_2-emissions export and unemployment import
The absence of similar "cap and trade (EU ETS)" constraints on CO_2 emissions and lower electricity prices threaten to become the crucial criteria for the relocation of energy intensive industry to countries outside the EU. While direct CO_2 costs will primarily affect the cement, lime and magnesia sectors as well as the potash industry, indirect costs arising from the electricity price increase will affect all energy intensive sectors including metal production and chlorine electrolysis in the chemical industry. Energy costs are a crucial factor in location decisions. They often have higher importance than labour costs.

The proposal of the EU Commission will lead to deindustrialization in Europe. The relocation of CO_2 emissions abroad and outside Europe will not live up to the global challenge „Climate change" and dismantle the European Union of its economic basis to deal with the consequences of climate change.

Innovative technologies as opportunity for climate and energy
Population growth will lead to an increase in global carbon dioxide emissions. Already today, China and India together generate almost 20% of CO_2 emissions. Therein lies an opportunity. Industrialised countries can develop innovative technology to lower pollution which can be applied also in developing countries. It would be more efficient and wise to develop projects to reduce greenhouse gases in these countries, instead of reducing the cost effectiveness of coal-based energy through competition distortions and reducing industrialization together with emissions in the industrial core countries of the EU. With JI and CDM, the Kyoto Protocol provides instruments for this kind of worldwide cooperation in climate change. The sole potential of a cooperation with Russia, with its 1,5 billion tons CO_2 a year, is more than the total reduction target of the old EU-15 countries. Therefore we don't understand why the EU-Commission intends to launch new restrictions on JI and CDM starting in 2013.

Protection of climate, industry and employment as equal pillars of a sustainable policy
EU industry is the basis for growth and welfare – and we need a long-term and consistent policy framework. If we achieve adequate and realistic climate policy targets, we can reach both: reduce the global warming and uphold economic growth. But the instruments today favoured by the EU in climate policy threaten to weaken and not strengthen our industry.

The Social Dialogue Committee „Extractive Industries" therefore demands:

- Sustainable, internationally agreed targets on emission reduction & ETS. Criteria have to be set to guarantee that an international agreement does not lead to distortion of competition and carbon leakage at the expense of the European industry. JI and CDM have to be recognised as a major tool to achieve the climate objectives within the EU ETS.

- Fossil fuel specific Benchmarks instead of auctioning of CO_2 certificates. If auctioning cannot be avoided, special rules should be established at least for the new power plants that foster investments in coal plants with lower CO_2 emissions

- Energy and CO_2 Intensive Industries should receive allocation of emission allowances based on sector-specific performance indicators (e.g. benchmarks). Free allocation must be the rule as long as no global agreement has been reached that establishes comparable constraints and carbon costs

- The method for allocation of allowances to the industrial plants has to be reliable and should be promptly defined, i.e. in 2009 in order to secure a long term investment policy.

- Efficient existing installations investing in expansion and growth plans should have access to the New Entrants reserve in order to facilitate the closure of less efficient installations.

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