

## Stakeholder consultation analysis: Methodology for new carbon leakage list 2015-2019

The stakeholder consultation was conducted for 12 weeks from 6 June to 30 August via questionnaire using the Interactive Policy Making tool.<sup>1</sup> The questionnaire consisted of 14 multiple choice questions with possibility to motivate answers. The answers are analysed according to respondent profile and topic. Multiple stakeholders from both civil society and industry have expressed the view that pure statistical analysis of the replies is not meaningful and therefore also a qualitative analysis of the responses is made.

### I. Respondents' profile

The stakeholder consultation gathered a total of 468 responses. Multiple replies from the same respondent were treated as a single reply. Thus, 405 replies are taken into account.

The prevailing majority of replies came from businesses (58%) or trade associations representing businesses (34%), including a wide variety of industries and companies. Therefore, over 90% of the respondents have interest in an interpretation of the ETS Directive criteria leading to a broader coverage of the carbon leakage list and higher amount of free allocation.

Given the setup of ETS where allowances which are not given for free are auctioned, Member States also have some interest in the determination of the new carbon leakage list and therefore the replies from government and regulatory authorities will be analysed separately.

Lastly, replies from academic and research institutions, NGOs and citizens will be analysed in a third section under the common heading of 'civil society'.

Table 1: Stakeholder consultation responses<sup>2</sup>

	Number	% of total
Business	237	58%
Trade association representing business	137	34%
Government/regulatory authority	8	2%
Academic/ research institution	4	1%
NGO	15	4%
Citizen	4	1%
Other	0	0
Total business related	374	92%
Total non-business	31	8%

### II. Business and trade representations of business interests

A very wide range of sectors responded to the public consultation: there were submissions from individual companies and European and national sector associations from the vast majority of energy intensive sectors, as well as manufacturing and food sectors.

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<sup>1</sup> Several replies received after the date of closure on the functional mailbox were also taken into account.

<sup>2</sup> Some answers seemed incorrectly classified as 'Other' or 'NGOs' and were re-classified as 'business' or 'trade association' accordingly to the nature of the respondent. The multiple identical replies submitted by the same respondents were disregarded and one reply was taken into account. Out of the 4 replies as 'citizens', 2 can be attributed to business as well, since the respondents are employees in companies which have also submitted replies.

There seem to be some misunderstanding of the ETS system among some stakeholders: some respondents from industrial sectors claim they fall under the scope of ETS but do not receive free allocation. This does not correspond to reality since all industrial production falling under ETS receives free allocation of 80% of the basic allocation in 2013 decreasing to 30% in 2020, while if a sector is on the carbon leakage list they receive 100% of this basic amount (before the application of the cross-sectoral correction factor).

*a. Competitiveness and carbon leakage*

On the evolution of the risk of carbon leakage, the majority (90%) of industrial stakeholders representing wide variety of sectors see a significant or slight increase. The main reasons for the perceived increase of the risk of carbon leakage are the international context (lack of binding international agreement on climate matching EU policies, lower energy prices in other parts of the world, global competition and growth of emerging economies compared to shrinking EU ones) and the domestic context (EU rules on free allocation, not sufficiently compensated indirect costs due to high electricity prices, lack of predictability on the carbon market and new entrant allocation rules). 7% of the industrial respondents see the risk of carbon leakage remaining the same due to the decrease of carbon prices together with product prices and the international context remaining the same as in 2009. There is also a minority view (1%) seeing the risk decreasing slightly or substantially, mainly due to the low carbon prices and generous free allocation.

Almost 100% of industrial stakeholders find free allocation and the carbon leakage list adequate and very adequate instrument to address such potential risk. This can be interpreted as high general acceptance of the system among industrial stakeholders.

Although the necessity and the beneficial effects of free allocation are not disputed, wide range of industrial stakeholders make several comments: the benchmark values for some products are perceived as too strict; natural and geographical conditions are not taken into account and activity levels should be based on actual production.

Concerning the length of the carbon leakage list, 60% of the industrial respondents find the list is of adequate length and 24% have no opinion. There are numerous views that the length of the carbon leakage list is an irrelevant indicator because as long as the list reflects the Directive criteria, its length cannot be judged. There are also comments that the Directive criteria are to the benefit of sectors with high trade, regardless of their emissions and that the list should be as accurate as possible due to its impact on other EU legislative acts. There are also some industrial stakeholders (3% mainly from the non-ferrous metals industry) who perceive the list as too long. About 10% of industrial stakeholders perceive the list as too short, with main comments that the Directive criteria do not account for national specificities and detailed qualitative assessments may be needed to consider the whole value chain of some sectors.

These replies show that industrial stakeholders have high degree of acceptance of the current free allocation system, awareness that the determination of the new carbon leakage list is a technical exercise applying the Directive criteria and mixed perception of the current state of the risk of carbon leakage.

*b. Trade intensity and international climate policies*

Concerning the ambition of domestic climate policies around the globe and their evolution since 2009, the majority of industrial respondents (69%) perceive an increase, 10% perceive no change and 17% see a decrease. Increase of ambition is perceived as slight due to lack of international binding agreement, but nevertheless there is recognition of growing interest and commitment to climate policies and doing more than business as usual.

Concerning comparability of the climate policies of concrete countries to the EU ETS, 21% of industrial respondents see the Australian system as at least partially comparable, 70% see it as non-comparable and 9% have no opinion. One comment from respondents which do not see the Australian scheme as comparable is that since the analysis is backward-oriented, the policy in place in 2008-2010 should be taken into account, not the current policy. Also, industrial respondents find the Australian system more generous in terms of benchmark values and emission factor used. As for Switzerland, the answers are more mixed: 38% see it as fully or partially comparable, 49% as not comparable and 12% have no opinion).

Concerning other countries (China, South Korea, New Zealand, USA, Brazil and Russian federation), the majority of industrial stakeholders perceive their climate policies as not comparable to the EU ETS. There is some positive nuance regarding the Californian scheme, and the Chinese schemes, but they cannot be deemed comparable as long as they remain regional.

*c. Level of analysis of data*

Concerning the level of data analysis, the majority of industrial stakeholders prefers analysis at NACE-4 level (58%), but there are also quite some views (34%) supporting analysis at NACE-3 level. 7% have no opinion mainly with the argument that different levels may be appropriate for different sectors.

The vast majority of sectors prefer NACE-4 as level of analysis with the argument that it most accurately represents sectors and includes the whole value chain. Some stakeholders also believe that NACE-4 should be the starting point of analysis and further disaggregation should be possible.

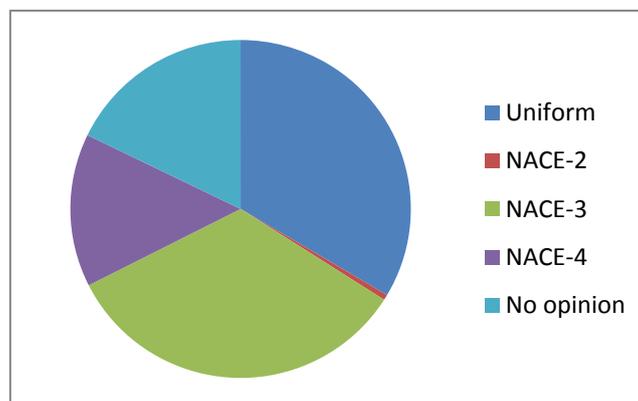
The preference for NACE-3 level is expressed by a very big number of individual companies and national trade associations mainly in the ceramic sector, and few in the chemicals sector. The main argument is that NACE-3 should be the starting point of analysis because it is the suitable level of assessment given the heterogeneity of the sector and according to their interpretation of the Directive.

Some respondents find the NACE-3 or 4 statistical classifications not suitable for defining sectors because they do not reflect the specific features of small sectors.

*d. Auctioning factor*

Views of industrial stakeholders are quite spread on the type of auctioning factor to be used – 32% prefer a uniform factor for all sectors, 32% prefer a NACE-3 level auctioning factor, 14% prefer a NACE-4 level, and 17% have no opinion.

*Figure 1: Auctioning factor views*



The main argument in favour of a uniform factor is its accuracy and the fact that such factor was applied in 2009. Curiously, the same argument is used in favour of the sectoral auctioning factors. Another view is that the auctioning factor should match the level of analysis and should be a choice based on the best available data and maximum accuracy. Some stakeholders also mention it should take into account the cross-sectoral correction factor. There are also views that the factor should remain the same as in 2009 or be even higher. It is noteworthy that both the uniform and the NACE-4 level factors are supported by a wider range of industrial stakeholders from more industries, while the NACE-3 one is preferred mainly by ceramics industry.

*e. Carbon price*

On the carbon price, the vast majority of industrial stakeholders (93%) , believe the 30€ is adequate value, while 2% believe it is not. The argument of the supporters of the 30€ price lies in the reference of the ETS Directive, while the ones who find this value inadequate justify it with the historical volatility of actual market carbon price, its current values and projections. Some stakeholders express a view that a higher price of 60 to 90€ should be considered to ensure the EU is "resistant to carbon leakage" until the time horizons of new investments (2020-2040).

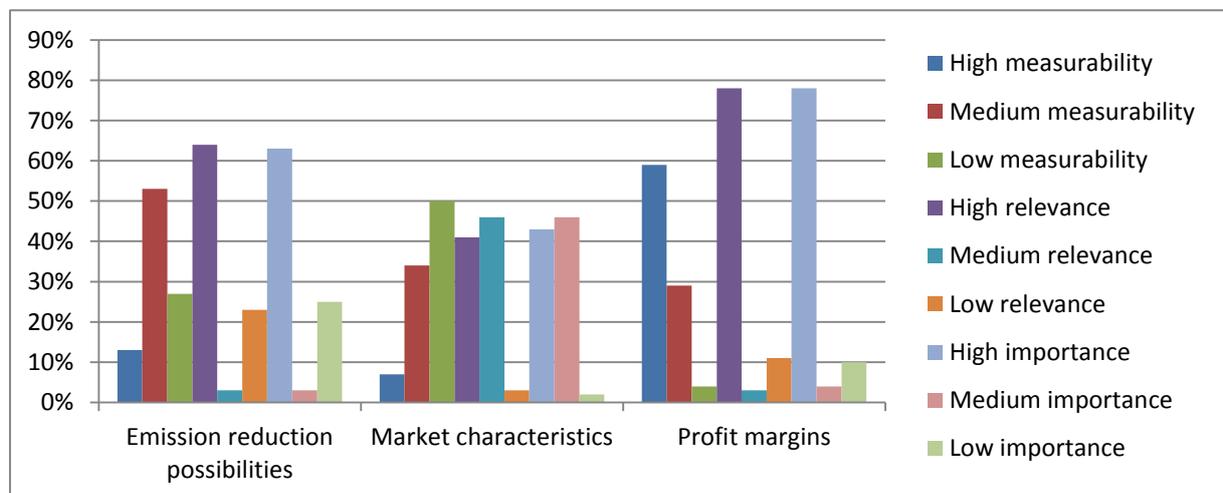
It is important to keep in mid the reasoning behind this answer: a higher carbon price would lead to higher costs calculated according to the Directive criteria and thus more sectors could end up on the carbon leakage list.

*f. Emission factor for electricity*

As for the carbon price, a majority of industrial respondents prefer the highest option for the emission factor for electricity – 73% of industrial respondents thus show preference for the marginal electricity generation, as it is used in the current system. 11% choose the average emission intensity of the fossil fuel mix and 8% the average emission intensity of the total electricity generation mix. A comment made by some industrial stakeholders is that the marginal factor would be too complex to calculate correctly, albeit its theoretical relevance, so an average one is preferable. It is also noteworthy that the average emission factor is supported by companies from various industrial sectors. The fossil fuel mix approach is mainly preferred by oil and refinery industries.

*g. Qualitative criteria*

Figure 2: Industrial stakeholders views on qualitative criteria

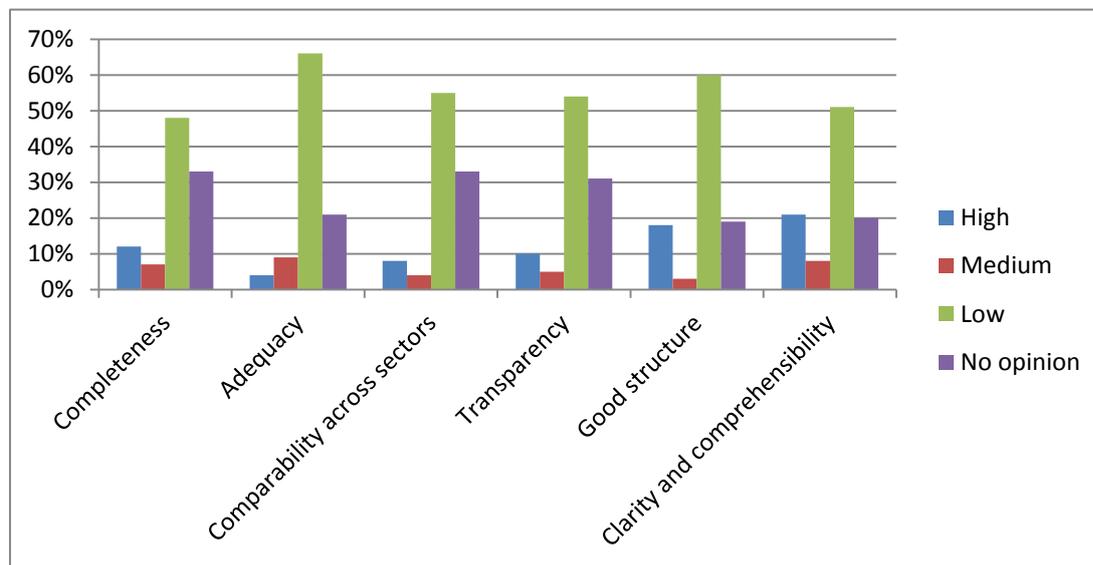


The numbers indicate that profit margins are seen as the indicator with the highest measurability, relevance and importance.<sup>3</sup> Market characteristics emerge as an indicator with low measurability, medium relevance and importance. Emission reduction possibilities are perceived as an indicator with medium measurability, and high relevance and importance.

A comment made by some sectors, mainly expressing no opinion, is that the criteria cannot be ranked and they need to be seen in conjunction. One common view is that carbon costs are unavoidable. Another frequent comment is that carbon leakage is actually investment leakage and whether it happens is determined by the profits as compared to the costs. One more recurrent observation is that future profit margins could not be adequately measures based on current ones and this would require modelling. Also, industry stakeholders comment that possibility to reduce emissions should be seen in conjunction with economic feasibility.

On the proposed framework for qualitative assessment, the graph below indicates the views of industrial stakeholders.

Figure 3: Industrial stakeholders views on qualitative framework



A qualitative analysis of comments shows that quite a number of industrial stakeholders support in principle the introduction of a structured and harmonised framework, as long as all indicators in such framework are taken into account and all steps of the step-wise approach are followed. There are views that following only one step of the step-wise approach is not in line with the ETS Directive. Some stakeholders suggest extending the qualitative assessment to more sectors than those without data and borderline cases. A frequently expressed view is that impacts on the whole supply chain need to be considered, as well as cases of globally traded goods where the price is determined worldwide. Another opinion is that cross-border flows of EU border countries with non-EU ones need to be taken into account. Another frequent, although vague, comment is that assessment of possibility to reduce emissions may be incompatible with the level-playing field of the sector. Some stakeholders support a very detailed level of analysis; even suggest using individual company data to assess the inclusion of individual companies on the carbon leakage list.

<sup>3</sup> Summary results of the views on the qualitative criteria are presented below. High is understood as scoring 4 and 5, low as scoring 1 and 2 and medium as scoring 3. The missing percentages are 'no opinion' answers.

### III. Government and regulatory authorities

Only a few Member States responded officially to the stakeholder consultation – United Kingdom, Belgium, Portugal, Slovakia, Estonia and some regional authorities from Spain.

#### *a. Competitiveness and carbon leakage*

Several national authorities (Slovakia, Belgium, Estonia) perceive that the risk of carbon leakage has decreased since 2009. UK emphasises that *'The risk of carbon leakage depends on a number of factors including the carbon intensity of production, carbon price, degree of international competition and cost pass through rates'* and if looking at the decreasing carbon price, it seems this risk is reduced, but there is no information on the other parameters. On the other hand, some Spanish regional authorities<sup>4</sup> perceive an increase of the risk of carbon leakage for low value-added products due to competition from non-regulated markets and also a general worsening of the competitive position of industry due to the economic crisis.

All but one<sup>5</sup> government and national authority perceive free allocation as adequate measure to address the risk of carbon leakage. However, UK draws the attention to the considerable over-allocation in the system due to a number of factors: carry-over of over-allocation in phase two, economic downturn and low ambition of the 2020 emission reduction targets.

On the length of the carbon leakage list, the majority of national authorities perceive the length of the carbon leakage list as adequate, with the comment that it is just technical application of the Directive criteria and cannot be judged. UK perceives the list as too long and references several studies with the same view.<sup>6</sup> The Government of Cantabria expresses the view that the list is too short without further justification.

These replies show that the Member States replying have a perception of the system similar to the one of industrial stakeholders: very high degree of acceptance of the current free allocation system, awareness that the determination of the new carbon leakage list is a technical exercise applying the Directive criteria and mixed view of the current state of the risk of carbon leakage.

#### *b. Trade intensity and international policies*

Concerning the ambition of domestic climate policies around the globe and their evolution since 2009, all except Junta Comunidades Castilla-La Mancha perceive some increase. A comment made is that although the progress was less than expected, some countries have made considerable steps on domestic level.

Concerning comparability of the ETS schemes of concrete countries to the EU ETS, the majority of national and regional authorities perceive Australia and Switzerland as at least

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<sup>4</sup> Comunidad de Madrid, Junta Comunidades Castilla-La Mancha and Gobierno de Cantabria

<sup>5</sup> Junta Comunidades Castilla-La Mancha

<sup>6</sup> Carbon leakage methodology study literature review;

Climate Strategies (UK) Reports (2007 – 2009) on: Tackling Leakage in a world of unequal carbon prices <http://climatestrategies.org/our-reports/category/32.html>;

Hourcade et al (2007) Differentiation and Dynamics of EU ETS Industrial Competitiveness Impacts, *Climate Strategies* (<http://www.climatestrategies.org/research/our-reports/category/6/37.html>);

Öko-Institut (Germany), Fraunhofer ISI, DIW (September 2008) Impacts of the EU Emissions Trading Scheme on the industrial competitiveness in Germany <http://www.umweltdaten.de/publikationen/fpdf-l/3625.pdf>

Carbon leakage and the future of the EU ETS market - CE Delft

[http://www.cedelft.eu/art/uploads/CE\\_Delft\\_7917\\_Carbon\\_leakage\\_future\\_EU\\_ETS\\_market\\_Final.pdf](http://www.cedelft.eu/art/uploads/CE_Delft_7917_Carbon_leakage_future_EU_ETS_market_Final.pdf)

partially comparable to the EU ETS, or have no opinion due to discussions at Council level. South Korea, New Zealand and USA are seen by partially comparable by some respondents.

*c. Level of analysis of data*

Concerning the level of data analysis, the majority of responding Member States (UK, Portugal, Belgium and and Gobierno de Cantabria) advocate analysis starting at NACE-4 level, while the rest have no opinion or prefer NACE-3 level. The argument for NACE-4 is best targeted analysis and best available data.

*d. Auctioning factor*

Uniform auctioning factor is preferred by Portugal and Estonia. NACE-4 one by Belgium, UK and a regional authority with the argument that such level is consistent with the level of analysis of sectors and it is leading to the most realistic auctioning factors. A regional authority supports NACE-3 auctioning factor coherent with the level of analysis. Slovakia supports auctioning factor at NACE-2 level.

*e. Carbon price*

The majority of Member States believe 30€ is not an adequate price for the new carbon leakage list and argue for an assessment based on a price closer to reality: best available evidence of what the carbon price is likely to be over the period of list validity. 30€ is not seen as the likely price unless structural reforms are implemented before 2020. The price value should consider market forecasts over time, impact of Phase II surplus and current growth projections.

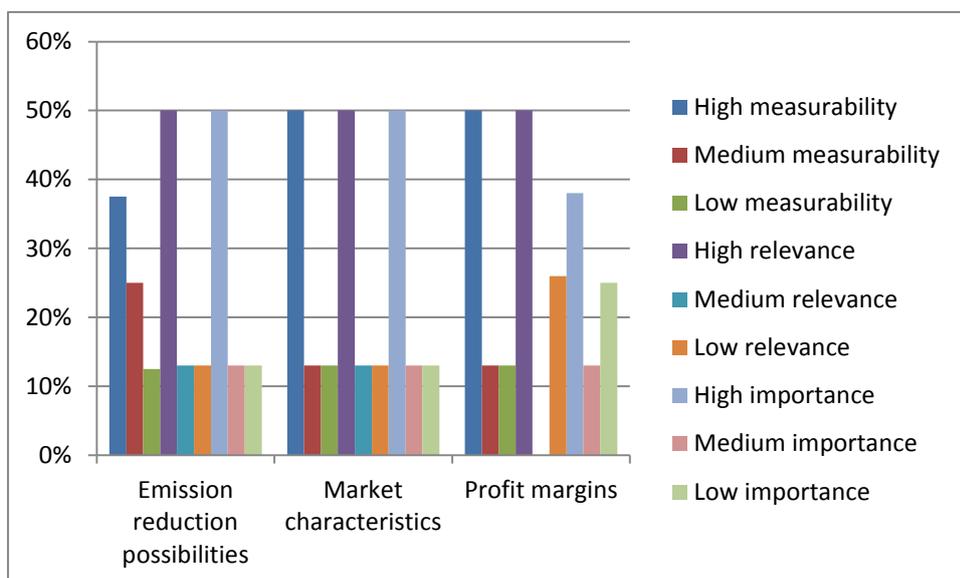
Estonia and two Spanish regional authorities believe 30€ is an adequate price.

*f. Emission factor for electricity*

The majority of responding national governments support the average emission intensity of the whole electricity generation mix. The argument is made that this approach is most appropriate in light of the practical difficulties around estimating a marginal factor and it takes account of all forms of electricity generation in the mix, including renewables and low carbon technologies. The average emission intensity of the fossil fuel mix is supported by one regional authority, and one government has no opinion.

*g. Qualitative criteria*

*Figure 4: Member State views on qualitative criteria*

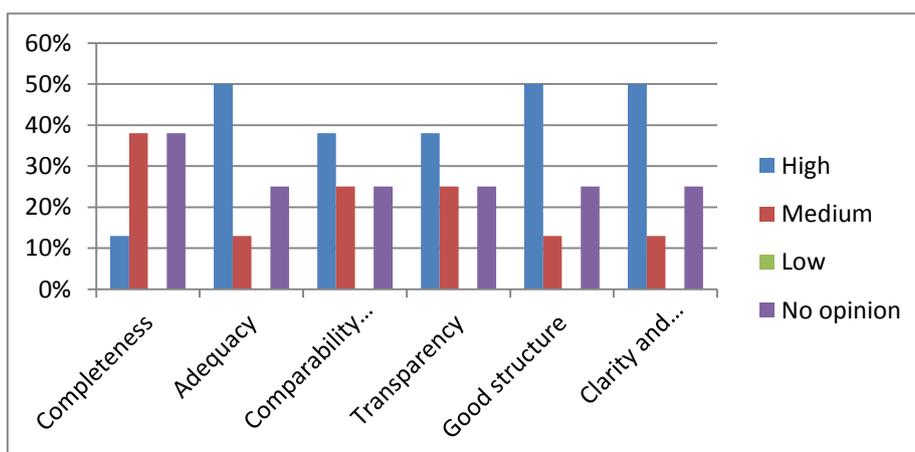


Due to small number of respondents, the statistical analysis of the answers needs to be taken with caution. The numbers indicate that all three criteria are seen as equally relevant. Emission reduction potential is seen as slightly less measurable, while profit margins are seen as slightly less important than the other two.

A comment is made that decisions on indicators of carbon leakage need to be based on firm evidence and these indicators would not provide a sufficient level of detail to enable a qualitative assessment of carbon leakage risk. Also, the relevance and importance of the indicator would also depend largely on the approach used to measure it.

On the proposed framework for qualitative assessment, the graph below indicates the views of Member States.

*Figure 5 Member State views on qualitative framework*



The framework for qualitative assessment is in general seen as adequate, well-structured, transparent and clear. There is less positive view to its completeness. A comment made by regional authorities is that the three steps should be seen simultaneously. Belgium and UK support the principle of a qualitative element of the assessment and support the European Commission in making this assessment more harmonised, structured, robust and transparent.

To aid transparency and foster a greater understanding of the qualitative assessment, UK requests that the European Commission publish a preferred approach for stakeholder consideration and comment, including methodologies and data requirements for each indicator, including publication of the evidence to support the outcome of any qualitative assessments with commercially confidential information redacted if necessary.

As for other indicators to be considered, UK suggests consideration of demand growth for products at the sector/ sub-sector level as an insight into whether the impact of carbon price might be due to a general market trend of the product rather than carbon leakage risk. The UK also suggests sectoral infrastructure investment horizons as an indication of the risk of a sector moving production, investment and/ or physically. A regional authority suggests special attention to EU border areas, cumulative impact of EU and national measures, analysis of structure of GVA to reflect labour costs, financial performance of the sector, cost structure. A comment is also made on regulatory predictability of qualitative assessments.

#### **IV. Academic and research organisations, NGOs and citizens (civil society)**

##### *a. Competitiveness and carbon leakage*

On the evolution of the risk of carbon leakage, the majority (70%) of civil society respondents see a significant or slight decrease. The main reasons for the perceived decrease of the risk of carbon leakage are the generous free allocation, the surplus of allowances in the system and the low carbon price. An argument made is that the risk of carbon leakage has been exaggerated in the past, leading to over-allocation and reducing incentives for cost-effective emission cuts by large emitters and several industries have profited from unjustified free allocation. Studies are quoted that there have not been job losses due to carbon leakage and that ETS has been to the benefit of industries. The 30% of civil society respondents seeing an increase of the risk come mainly from industry-affiliated think tanks.

57% of civil society respondents find free allocation and the carbon leakage list adequate and very adequate instrument to address such potential risk. There is a general comment that free allocation needs to be applied more restrictively. Another view is that for some sectors border measures could be considered instead. 44% of the respondents see free allocation as quite or very inadequate with the main comment that it is too generous, redistributing potential government revenues to industry and thus constituting a hidden subsidy which is not subject to the usual control.

Concerning the length of the carbon leakage list, 70% of the civil society respondents find the list too long. The main arguments are that the criteria unnecessarily overestimate the risk of carbon leakage, the trade criterion alone is irrelevant and the phase II surplus of allowances is not taken into account. Many civil society stakeholders refer to the need for revision of the list to reflect reality better. 13% of the respondents, mainly ones with industrial affiliation, find the list of adequate length while another 13% find it too short.

These replies show a mixed picture: free allocation has high degree of acceptance, but it is considered too generous and the risk of carbon leakage is found exaggerated and thus the list is considered too long.

##### *b. Trade intensity*

Concerning the ambition of domestic climate policies around the globe and their evolution since 2009, 87% of civil society respondents perceive some increase. Comments made are that after 2009 multiple countries are taking up various climate policies and some of them are

comparable to the EU, so the EU is no longer the only player in climate action, and in some cases the level of ambition is even higher than the EU.

Concerning comparability of the ETS schemes of concrete countries to the EU ETS, 65% of civil society respondents perceive Australia and Switzerland as at least partially comparable to the EU ETS. 47% consider China at least partially comparable to the EU, 52% consider South Korea as comparable and 43% consider New Zealand as partially comparable. Other countries are not considered as having comparable climate policies.

In sum, civil society respondents have a positive perception of climate policies around the globe.

*c. Level of analysis of data*

Concerning the level of data analysis, 44% of the civil society respondents advocate analysis starting at NACE-4 level, while the rest have no opinion and 8% prefer NACE-3 level. The argument for NACE-4 is that it offers maximum differentiation between sectors and avoids inadvertently subsidizing some businesses within the sectors.

*d. Auctioning factor*

Uniform auctioning factor is preferred 35% of the civil society respondents, 13% prefer a NACE-4 one and the majority of 52% has no opinion. This shows the lack of strong views from the civil society on this technical element.

*e. Carbon price*

The majority of civil society respondents believe 30€ is not an adequate price for the assessment for the new carbon leakage list with the argument that it is too high compared to reality and that it artificially inflates the costs of sectors including them unduly in the carbon leakage list and thus foregoing revenues from governments in times of crisis. The price value should be the result of more accurate modelling and consider market forecasts over time, impact of Phase II surplus and current growth projections.

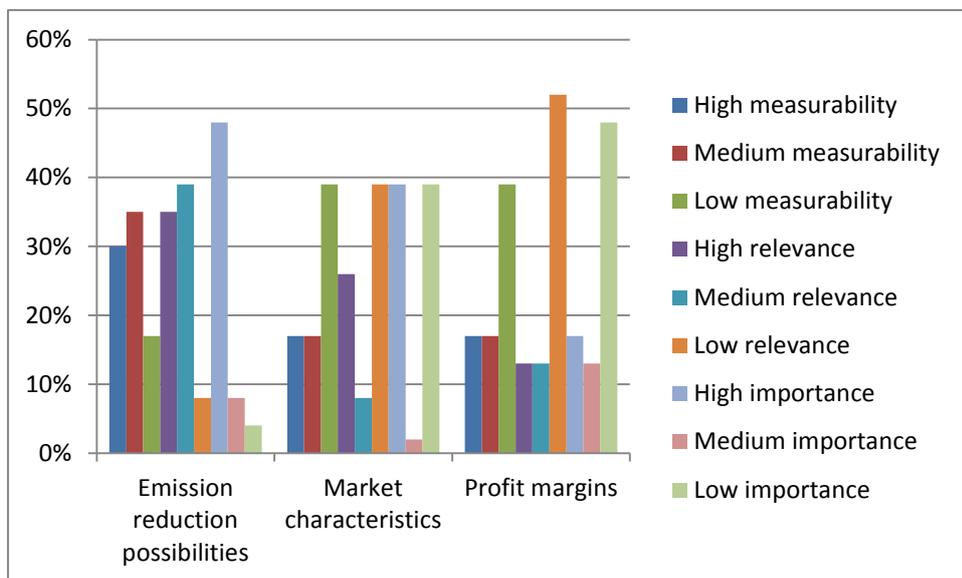
30% of the civil society respondents mainly with industry affiliation consider the 30€ price adequate.

*f. Emission factor for electricity*

The majority of civil society respondents support the average emission intensity of the whole electricity generation mix. The argument is made that this approach can be most soundly calculated and reflects the realistic electricity generation including renewables without leading to overestimation of the indirect costs. The average emission intensity of the fossil fuel mix as well as the marginal emission intensity of the fossil fuel mix are supported by 8% each.

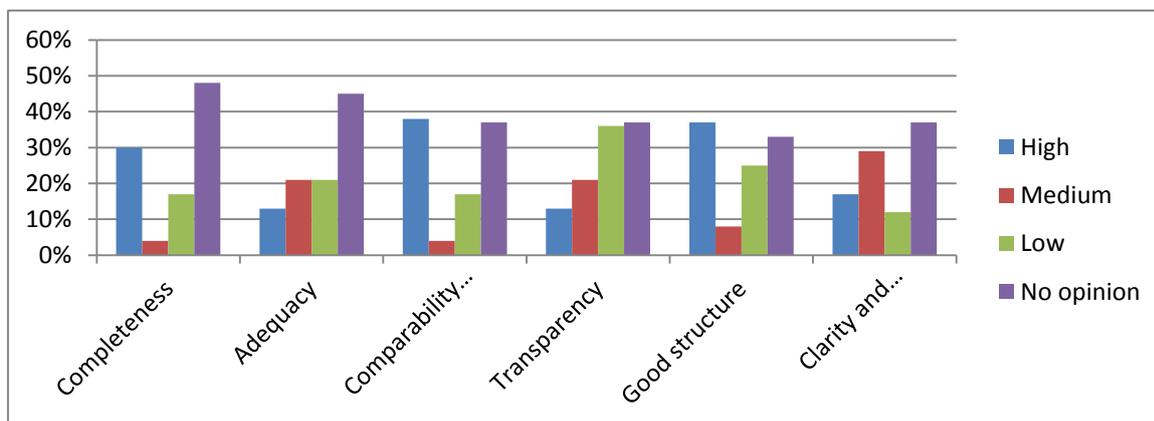
*g. Qualitative criteria*

*Figure 6 Civil society views on qualitative criteria*



Due to medium number of civil society respondents, the statistical analysis of the answers needs to be taken with caution. The numbers indicate that the emission reduction potential is seen as an indicator with medium to high measurability, while market characteristics and profit margins are seen as having low measurability. Emission reduction potential is seen as the most relevant indicator, while profit margins and market characteristics are pronouncedly deemed of low relevance. Again, emission reduction potential is deemed highly important, closely followed by market characteristics, while profit margins have clearly low importance.

*Figure 7 Civil society views on qualitative assessment framework*



The civil society respondents do not express strong views on the qualitative assessment framework as visible from the graph. One comment also illustrated by the low perceived transparency is that the ETS Directive qualitative criteria cannot be determined sufficiently transparently to justify the decision to include a sector in the carbon leakage list. Also, there are requests to publish qualitative assessments in full.

## V. Conclusions

For the analysis of the stakeholder consultation, 405 replies are taken into account.<sup>7</sup> The table below illustrates the participation of stakeholders by group.

*Table 2: Summary of stakeholder consultation responses*

	Number	% of total
Total business related	374	92%
Government/regulatory authority	8	2%
Civil society	23	6%
Total non-business	31	8%

Given the prevailing participation of business oriented stakeholders, it could be argued that over 90% of the respondents have interests in an interpretation of the ETS Directive criteria leading to a broader coverage of the carbon leakage list and higher amount of free allocation. A very wide range of industrial sectors represented by national and European sector associations, but also a high number of individual companies responded to the public consultation.

On the evolution of the risk of carbon leakage, the majority (90%) of industrial stakeholders see a significant or slight increase, while the majority of Member States and civil society respondents see slight or significant decrease. The arguments for the perceived increase are related to the international context (lack of binding international agreement on climate matching EU policy, lower energy prices in other parts of the world, global competition and growth of emerging economies compared to shrinking EU ones) and the domestic context (EU rules on free allocation, indirect costs due to high electricity prices and not sufficiently compensated, lack of predictability on the carbon market and new entrant allocation rules).

On the other hand, the arguments for a perceived decrease are the generous free allocation, the surplus of allowances in the system and the low carbon price. An argument made is that the risk of carbon leakage has been exaggerated in the past, leading to over-allocation and reducing incentives for cost-effective emission cuts by large emitters and several industries have profited from unjustified free allocation.

There is also a view that this risk depends on a number of factors, including the carbon intensity of production, carbon price, degree of international competition and cost pass through rates and the decreasing carbon price indicates reduction of the risk, but there is no information on the other parameters.

Concerning free allocation, both industrial stakeholders and Member States show high degree of acceptance and find it an adequate method to address the potential risk of carbon leakage. Industry makes some comments on the adequacy: on the benchmark values for some products which are perceived as too strict; natural and geographical conditions are not taken into account and activity levels should be based on actual production. Civil society is more critical towards the adequacy of free allocation with the main argument that it needs to be applied more restrictively because as it stands now it is too generous, redistributing potential government revenues to industry and thus constituting a hidden subsidy.

On the length of the carbon leakage list, 60% of the industrial respondents find the list of adequate length. One quarter of industry stakeholders, as well as the majority of Member

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<sup>7</sup> The stakeholder consultation gathered a total of 468 responses. Multiple replies from the same respondent were treated as a single reply.

States, find the length of the list an irrelevant indicator since its determination is a technical exercise reflecting the Directive criteria, therefore its length cannot be judged. The majority of civil society respondents, on the other hand, find the list too long with the argument that the criteria unnecessarily overestimate the risk of carbon leakage, the trade criterion alone is irrelevant and the phase II surplus of allowances are not taken into account and therefore argue strongly for revision of the list to reflect reality better.

Concerning the ambition of domestic climate policies around the globe and their evolution since 2009, the majority of all respondents (industry, Member States and civil society) respondents perceive some increase. Industry and Member States are a bit more critical recognising the efforts but focusing on the lack of international climate agreement, while civil society is more positive looking at the domestic climate policies achievements since 2009. As for the comparability of climate policies, industry sees no comparable policy to the EU ETS worldwide, while Member States and civil society see some comparable elements in several countries' policies.

On the level of analysis, industry expresses its views most actively and there seems to be a preference for analysis at NACE-4 level shared by broader range of stakeholders, also supported by some Member States and a share of the civil society respondents. The main arguments supporting this choice are that NACE-4 is best targeted analysis and best available data and it was used in 2009. Some stakeholders, notably the ceramic industry and some chemical companies, prefer analysis at NACE-3 level.

On the auctioning factor, civil society does not have strong views, while industrial stakeholder are split between uniform factor for all sectors (32%), NACE-3 level factor (32%), and NACE-4 level (14%). NACE-4 is the most supported choice for Member States, but also the other options find some support. Notable is the lack of opinion in about half of the civil society respondents and about one fifth of industrial stakeholders with the frequent comments that the auctioning factor should correspond to the level of analysis.

On the carbon price, the vast majority of industrial stakeholders believe the 30€ is adequate, with the argument of the reference of the ETS Directive. Some industrial stakeholders express a view that a price above 30€ should be considered to ensure the EU is "*resistant to carbon leakage*" until the time horizons of new investments (2020-2040).

The majority of Member States and civil society, on the other hand, find the 30€ inadequate, with the argument that it is too high compared to reality, that it artificially inflates the costs of sectors including them unduly in the carbon leakage list and thus foregoing revenues from governments in times of crisis. They argue that the price value should be the result of more accurate modelling and consider market forecasts over time, impact of Phase II surplus and current growth projections. It is important to keep in mind the reasoning behind this answer: a higher carbon price would lead to higher costs calculated according to the Directive criteria and thus more industrial sectors could end up on the carbon leakage list.

As for the carbon price, the answer of most industrial respondents on the emission factor for electricity aims at the inclusion at highest number of sectors possible on the list and about three quarters show preference for the highest option (the marginal electricity generation in the current system). A comment made by some industrial stakeholders is that the marginal factor would be too complex to calculate correctly, albeit its theoretical relevance, so an average one is preferable which is supported by companies from various industrial sectors. Member States and civil society also prefer the average factor of the total fuel mix with the argument this the most accurate number taking into account all forms of electricity generation, including renewables and low carbon technologies.

Concerning the ETS Directive criteria for qualitative assessment, industrial stakeholders see profit margins as most measurable, relevant and important; market characteristics emerge as an indicator with low measurability, medium relevance and importance while emission reduction possibilities are perceived as an indicator with medium measurability and high relevance and importance.

Member States on the other hand see all three criteria as equally relevant; emission reduction potential is seen as slightly less measurable, while profit margins are seen as slightly less important. Civil society has a different view: emission reduction potential is seen as most measurable, relevant and important, while market characteristics and profit margins are seen as less measurable, relevant and important.

Such views may be logical, given that industry focuses on profits and market conditions for investments, while civil society is primarily looking at environmental integrity and emission reductions. Member States have a balanced view recognising the importance of all three criteria. There are comments made from all sides concerning the vagueness of the criteria and the need for a harmonised framework.

As for the framework for qualitative assessment, industrial stakeholders show a more critical stance, Member States see it in general as adequate and useful and civil society has no particular opinion, albeit the general positive views. According to the comments made, a number of industrial stakeholders support in principle the introduction of a structured and harmonised framework, as long as all indicators in such framework are taken into account and all steps of the step-wise approach are followed.

This view is also shared by Member States which in general support more harmonised, structured, robust and transparent qualitative assessment. Civil society and some Member States urge the publication of all qualitative assessments in their entirety to ensure transparency of the process.