



EUROPEAN COMMISSION

Second Stakeholder Meeting on Carbon Leakage post-2020

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Summary Conclusions (for information purpose only)

The second stakeholder meeting on carbon leakage post-2020, co-chaired by DG Climate Action and DG Enterprise and Industry, took place on July 10 in Brussels and brought together representatives of the Commission, Member States, industry, academics, NGOs and other organisations.

Mr Jos Delbeke, Director-General of DG Climate Action opened the meeting and gave a brief overview of the points that emerged during the first meeting. He reiterated the three principles that the future carbon leakage rules should be based on (simplicity, predictability and effectiveness) and then explained that the second meeting would focus on innovation as one of the core elements of the future policy.

Mr Antti Peltomäki, Deputy Director-General of DG Enterprise and Industry, reiterated that growth, jobs and competitiveness and energy and climate policy are high on the political agenda. He stressed the need for these policies to work together, and for a strong industrial base focused on innovation. He underlined that the stakeholder consultations are an important input in the design of future policies.

The meeting was organised in sessions, each with presentations by a panel and an exchange of views from the audience. The sessions were focused on the distribution between Member States and industry (i.e. the split between auctioning and free allowances), the role of innovation support and free allowances in the transition to a low carbon economy, and the parameters for an effective innovation support.

A number of issues were raised during the discussions, covering among others, the large need for investment to ensure innovation; the social implications of policies and decisions; the need to ensure coherent policies, e.g. on industry, climate and energy, and their cost-effectiveness; the importance of the strategic decisions to be made on the split between free allocation and auctioning – free allocation has an important role to play but free allocation without any limits is not a viable option; different views about the future rate of improvement of energy and GHG efficiency for industry as a whole and by industry sectors; the importance of having a strong industry in Europe; the importance of keeping in mind the developments in international climate change policy and the international negotiations.

Some participants stressed that free allowances was a cost to the public, and that provision of such allowances therefore requires careful thought. Others called for the need to adequately protect those sectors most exposed to international competition. The point was made that also indirect costs is an element to take into account in a comprehensive way in defining the future carbon leakage provisions.

Other aspects brought up in the debate included the wish to look at the whole value chain when making decisions as industries are increasingly interconnected; the importance of addressing the

issue of data availability and the need to base allocation on more recent and relevant data; the need for the quality of products to improve further in order for Europe to remain competitive.

On the issue of basing allocation on very recent production figures and update them regularly, rather than historical levels, Mr Delbeke clarified that although some adjustments to the present "ex-ante" system could be considered, careful thought should be given not to increase red tape and administrative complexity; it is also important to give a sufficient degree of predictability for industry.

As concerns innovation and demonstration of low carbon technology, several stakeholders underlined that time is of essence as there are long lead times until full scale production can be achieved. Several initiatives (e.g. the Swedish Program for Energy Efficiency or InnovFin provided by the EIB), sectorial low carbon 2050 Roadmaps and concrete projects (e.g. HISarna – a new way to produce steel) were presented at the meeting as examples of how new technology can be supported. The discussion underlined that public funds and practical support will be essential in the transition to a low carbon economy.

It was noted that details of a future innovation support still need further reflection but there was a strong call to support the much needed breakthrough technologies and that this support should be technology neutral. The continuation of the "NER 300" financial support mechanism and its expansion to support industry innovation was suggested in this context. It was stated that innovation must be considered as part of a broader discussion on competitiveness, and that the future support will have to look beyond CCS to other low carbon technologies.

Ms Tovšak Pleterski, Director in DG Climate Action, in her conclusion emphasised that the issues discussed and concerns expressed were in line with the political agenda of the moment. She noted that the EU is now faced with the challenge of finding the right approach that offers clarity and predictability to industry, the adequate incentives for technological innovation, that keeps the elements of the current system that have worked well (transitional free allowances and measures to protect against carbon leakage) while updating and improving the system as a whole. The allowances available are limited which is why there is a need for strategic choices. These choices will also have to carefully consider how to support innovation and investments.

Mr Pettinelli, Director in DG Enterprise and Industry, highlighted the need to maximise the effectiveness of innovation support, by designing a coherent framework that has the right balance between private and public funding. To this end, the potential associated with all possible sources must be explored with an open mind and innovative ideas. Also, he stressed the importance of monitoring innovation support and the expected progress in technological innovation, in particular of low-carbon technologies, which is essential for deciding on any corrective measures according to the needs, improving the overall performance of the system. Mr Pettinelli concluded reminding the importance to have the views of stakeholders on the topics discussed to serve as input in the design of the future system and announced the third stakeholder meeting which will be held in September.