

Alliance recommendations for the HLG on Energy Intensive Industries' meeting of 28 February 2018

Brussels 15 February 2018

Dear Mr. Cozigou,

The Energy Intensive Industries and industriAll European Trade Union, signatories of this letter, welcome the constructive and open exchange of views which took place during the HLG on Energy Intensive Industries' Sherpa meeting. We particularly welcome the strong presence of Commission representatives of various DGs and the very good representation of Member States.

Energy Intensive Industries are very exposed to international competition: on internal and external markets for goods on the one hand; as well as on their quest for attracting investments into Europe. Achieving a successful transition of our sectors to move to more energy- and resource efficient technologies or develop and deploy breakthrough technologies will require long term competitive sectors benefiting from large scale investments. Successfully addressing this challenge is paramount for this HLG on Energy Intensive Industries.

In his closing remarks the Chairman invited the participants to formulate their recommendations for the discussions of the upcoming HLG on Energy Intensive Industries' meeting of 28 February 2018. The Energy Intensive Industries and industriAll Europe are pleased to propose the following topics/themes:

1. Cooperation between sectors across borders in an industrial symbiosis model is already a strong trend today and will increase in the future, helped by digitization efforts that are introduced in all of our industries. All of our energy intensive businesses are already interlinked through providing energy, feedstock, services and materials: We provide essential contributions not only to each other but also throughout various valuable supply chains, developing concepts for a circular economy.

Almost all Energy Intensive Industries have already developed or are in the process of updating or developing their Low Carbon Pathways, Visions or Roadmaps. Our sectors are ready to assess, jointly with the members of the HLG, the complementarity and compatibility of their respective forward looking strategies with other future developments that are planned simultaneously (e.g. power generation, automotive industry, construction).

Recommendation: The HLG will use sectoral Roadmaps, Visions and Low Carbon Pathways as a starting point to develop a comprehensive masterplan for competitive, low carbon and sustainable energy intensive industries. This exercise shall address inter alia:

- **The EU plan for cleaner energy, in particular electricity by 2050, looking at cost and electricity availability (considering also the needs of other sectors like buildings, transport, agriculture, etc.) to ensure industry's global competitiveness in its low-carbon, sustainability and digitalization transition;**

- **Access to raw materials, in view of the development of an ambitious EU strategy for raw materials;**
- **Mapping regional conditions, requirements, constraints and synergy potential;**
- **Identify areas and Research, Development and Innovation projects where energy intensive industries can contribute to a low-carbon, resource efficient and more circular economy and work together to help each other's achieving their goals.**

This could be achieved by setting up a horizontal working group as part of the HLG and its sub-groups, possibly supported by an external consultant.

2. In line with the principles of Better Regulation, particular attention should be given to the multiplicity of, and repeated intervention in, energy- and climate policy related approaches at EU and national levels which has led to a patchwork of regulatory overlaps that could lead to unintended inefficiencies instead of enabling a symbiotic growth of EII's in Europe. In the face of intensifying global competition from regions with targeted industrial policies, loss of EU production and investment capacity could even be seen as a risky outcome of such policies. A more holistic joint strategy would therefore be a much better tool to assist us in achieving the long-term objectives.

Recommendation: The HLG will launch, at the highest level of the Commission, a comprehensive policy discussion on ways to develop a stable EU regulatory framework, including climate & energy policies, which shall provide our industries with long term predictability. This will reflect our investment cycles and CAPEX intensities while ensuring a level playing field with our non-EU competitors.

The policy discussion should also address the need for:

- **Access to competitive energy markets**
- **Transitional support to industries in the process of transformation, in the form of adequate measures to avoid or set off the indirect carbon costs and other charges and levies in electricity.**

This needs to be put in place to maintain a level playing field with importers for industries that compete globally and for which electrification and other low carbon technologies are part of the planned solutions towards a low-carbon EU economy.

3. Major changes will be needed with the complementary financial instruments and resources available at EU and national level (from existing funding mechanisms) that should be used to attract investment and support the low carbon transition of the EIIs, while taking into account the value of existing assets. Those reshaped instruments should focus mainly on intrinsically 'de-risking' research and deployment of high-risk breakthrough projects by combining several tools, including grants and other risk sharing mechanisms, which should address also potentially higher operational costs of the new technologies.

Recommendation: The HLG will hold a comprehensive discussion on existing and foreseen financing tools and the conclusions of the HLG on sustainable finance report published at the end of January 2018.

4. Energy Intensive Industries are the backbone of the EU's economy and they account for more than 6 million direct jobs and begin multiple value chains, such as the transport, buildings, fuels and energy production, including renewable energies, and agriculture.

Over the past years around 1.5 million jobs were lost in the EU. Stringent and unilateral EU climate and energy policies, compared to other regions in the world, are likely to increase the competitive pressure on the various sectors and put at risk many more jobs in the EU.

Recommendation: The HLG will support a mandate to DG Grow to conduct together with our sectors a comprehensive assessment of the risks and mitigation options of the long-term trajectory towards a low carbon economy in 2050 taking into account:

- **Fully integrated value chains and focusing on the three pillars of sustainability (economic, environmental and social);**
 - **The social impacts of the competitive risk or loss of market share that Energy Intensive Industries face;**
 - **The policy options required to ensure that products needed in Europe remain produced in the EU to meet local demand.**
 - **Concrete meaning should be given to the concept of Just Transition for the employees whose jobs could be at risk.**
5. Energy Intensive Industries believe that the HLG on EIs should aim to develop a constructive and realistic long-term trajectory for our sectors to meet the overall 2050 objectives.

Recommendation: The HLG will agree on conclusions that should be reflected in the Commission's mid-century strategy expected in 2019 and we invite the relevant Commission services to propose ways for formalizing these conclusions into the Commission's strategy.

The Alliance for Energy Intensive Industries and industriAll European Trade Union thank the Commission for considering these 5 topics as main discussion points at the next HLG of EIs meeting with the objective of agreeing on actions to further work out the proposed topics.

Yours sincerely,

Signatories:

- European Chemical Industry Council (CEFIC): www.cefic.org/
- European Cement Association (CEMBUREAU): <http://www.cembureau.eu/>
- Glass Alliance Europe: www.glassallianceeurope.eu/
- Confederation of European Paper Industries (CEPI): www.cepi.org/
- Chlor-alkali Industry in Europe (Euro Chlor): www.eurochlor.org/
- European Steel Association (EUROFER): www.eurofer.eu
- FuelsEurope: www.fuelseurope.eu
- European Ceramic Industry Association (Ceram-Union): www.cerameunie.eu/
- European Association of Metals (Eurometaux): <http://www.eurometaux.be/>
- Fertilizers Europe: www.fertilizerseurope.com
- European Lime Association (EuLA): <http://www.euila.eu/>
- Association of European Ferro-Alloy producers (Euroalliances): www.euroalliances.com
- IndustriAll European Trade Union www.industrialall-europe.eu
- Ifiec: www.ifieceurope.org