



16 November 2016

## **All energy-intensive sectors in the EU shall keep the right for a proper carbon leakage risk assessment in the EU ETS Phase IV**

In view of the current discussions on the revision of the EU ETS directive (COM (2015) 337) we draw your attention to the fact that the European Commission proposes to **reduce the possibility of EU sectors to demonstrate their risk of exposure to carbon leakage**. As an appropriate assessment of risks of carbon leakage is of key importance to all industrial sectors, the proposed changes are at our utmost and direct concern.

Removing the right for a proper carbon leakage risk assessment would lead to the exclusion from carbon leakage provisions, risking exporting jobs and importing emissions of important EU sectors and subsectors. This would run counter EU's environmental and climate objectives and the Council Conclusions of October 2014.

Moreover in ETS Phase III only 4% of total industrial emissions were allocated in total among sectors assessed either with a qualitative assessment at NACE 4 level or with a disaggregated-level assessment. There is no risk that this amount could increase substantially in the next ETS phase.

A proposal to exclude sectors - on the basis of statistics not made for the purpose - from the possibility of qualitative assessments, (threshold of 0.18, when multiplying emission and trade intensity indicators), carries significant risks where statistics do not sufficiently explain market or trade characteristics or a sectors' position as essential building block in EU value chains.

Assessment at a relevant level of disaggregation is a necessity for some subsectors, in particular in cases when activities that are subject to ETS and activities that are excluded from the scope of the ETS are grouped under the same NACE-4 code, or when sectors are clustered in a NACE which was either too broad or heterogeneous, containing activities delivering products with different energy and carbon intensities /or different trade intensities (e.g. local production to avoid dangerous transport).

A proper evaluation of industrial sectors which provide jobs, know-how, industrial growth and added-value in the European Union is a pre-requisite to continue contribution of these sectors to the efficient emissions reductions targets. A negative impact on economy, the industrial value chains and market competitiveness should be avoided.

**Policy Request: We call on policymakers to maintain the possibility of a qualitative and disaggregated carbon leakage assessment for all energy-intensive sectors and subsectors in the next EU ETS phase.**