



CENTRAL EUROPE ENERGY PARTNERS (CEEP) RESPONSE TO THE PUBLIC CONSULTATION “ON EMISSION TRADING SYSTEM (ETS) POST-2020 CARBON LEAKAGE PROVISIONS”

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CENTRAL EUROPE ENERGY PARTNERS (CEEP) IS A CENTRAL EUROPEAN ORGANISATION, COMPRISED OF ENERGY AND ENERGY-INTENSIVE COMPANIES AND SCIENTIFIC INSTITUTIONS. IT WAS ESTABLISHED IN JUNE 2010, AND NOW HAS 23 MEMBERS FROM 5 COUNTRIES, REPRESENTING MORE THAN 300,000 EMPLOYEES, AND AN OVERALL REVENUE OF EUROS 50 BILLION. CEEP IS VERY ACTIVE AT THE EU LEVEL

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GENERAL: COMPETITIVENESS, CARBON LEAKAGE AND PRESENT FREE ALLOCATION RULES

QUESTION 1: DO YOU THINK THAT EU INDUSTRY IS ABLE TO FURTHER REDUCE GREENHOUSE GAS EMISSIONS TOWARDS 2020 AND BEYOND, WITHOUT REDUCING INDUSTRIAL PRODUCTION IN THE EU?

- a) yes
- b) no
- c) I don't know

IF YOU WISH, PLEASE MOTIVATE YOUR ANSWER:

This question is not precise enough. We think that there will be some industries where there is still a possibility to decrease CO₂ emissions without a major detrimental effect for them, but there are many industries where further decreases are not possible as all technological possibilities are exhausted. Here, one can quote the examples of the refinery, steel, power and chemical industries where BAT technologies are deployed. Of course we cannot exclude new technologies in future but they have to be adopted by some players on the EU and world markets. That is why when discussing CO₂ reduction we have to refer to each sector of industry separately and calculate the level of reduction which will be possible to gain.

That is why the ETS system should be adequately restructured, based on benchmark principles, to allow industries the chance to develop and reduce CO₂ emissions, but to the extent which is technologically possible.

We do not understand why the power industry is excluded from free EUA under the carbon leakage system, because BAT enables the reduction of CO₂ by more than 30%. One gets the impression we are not combatting CO₂ but the power industry.

QUESTION 2: DO YOU THINK THAT THE EU ETS HELPS THE EU INDUSTRY TO BECOME MORE ENERGY EFFICIENT, AND THUS CONTRIBUTES TO INCREASING THE COMPETITIVENESS OF EUROPEAN INDUSTRY IN THE LONG-TERM?

- a) yes
- b) no
- c) I don't know

IF YOU WISH, PLEASE MOTIVATE YOUR ANSWER:

The question combines two things: first, technological progress and secondly, CO₂ emissions.

Technological progress means better, more efficient and competitive products fulfilling the needs of the demand. In the majority of cases, technological progress is combined with the more efficient use of energy, which means less CO₂ emissions.

Many world economies support such a model of development, which in the case of CO₂ reduction means that if such a reduction is "natural" it is acceptable and not harmful to the economy. The best example is the US emitting 17.0 tonnes per capita, yet in the EU, the average emissions are 7.5 tonnes per capita. Obama's programme declares a 30% reduction by 2030, whereas the US emits today 56% more than the EU.

The competitiveness of the EU has decreased in the last 5 years versus the non- EU economies. Why? We have to invest in new technologies not applied in other countries. These are extra costs at \$ 600 per tonne. So, how can we be competitive?

QUESTION 3: DO YOU THINK THE EU NEEDS TO PROVIDE SPECIAL (TRANSITIONAL) MEASURES TO SUPPORT EU INDUSTRY COVERED BY THE EU ETS, IN ORDER TO ADDRESS POTENTIAL COMPETITIVENESS DISADVANTAGES VIS-À-VIS THIRD COUNTRIES WITH LESS AMBITIOUS CLIMATE POLICY?

- a) yes
- b) no
- c) I don't know

IF YOU WISH, PLEASE MOTIVATE YOUR ANSWER:

If there is no possibility to change the ETS system (as suggested in the answer to Q. No. 1) based on benchmarks for different sectors of industry, then definitely derogation (transitional measures) covering 100% of them should be introduced for the whole 10 year period (2020-2030). At the same time more funding should be provided for development of new technologies leading to a CO2 decrease.

The new proposal of a linear 2.2% yearly decrease is absolutely not acceptable as it is not based on any realistic technological approach, but is bureaucratic, which has nothing to do with science.

QUESTION 4: IN YOUR VIEW, HOW ADEQUATE A POLICY INSTRUMENT IS FREE ALLOCATION AND, IN PARTICULAR, INCREASED FREE ALLOCATION FOR CERTAIN INDUSTRIAL SECTORS TO ADDRESS THE RISK OF CARBON LEAKAGE?

- a) very adequate
- b) quite adequate
- c) quite inadequate
- d) very inadequate
- e) I don't know

IF YOU WISH, PLEASE MOTIVATE YOUR ANSWER:

Free allocation seems to be one of the solutions, if it covers 100% of the needs of energy and energy-intensive sectors and is not subjected to a 2.2% Linear Reduction Factor. We need of course, a special benchmark for each sector, as the refinery industry has, which describes the limits of the CO2 emissions.

If the limits are transgressed, then the particular company has to buy the EUA on the market. Anyhow, 2.2% has to be deleted from the ETS.

QUESTION 5: IN YOUR VIEW, HOW DOES FREE ALLOCATION IMPACT THE INCENTIVES TO INNOVATE FOR REDUCING EMISSIONS?

- a) it absolutely keeps the incentive
- b) it largely keeps the incentive
- c) it largely compromises the incentive
- d) it absolutely compromises the incentive
- e) I don't know

IF YOU WISH, PLEASE MOTIVATE YOUR ANSWER:

According to CEEP, a driving force for the industry is its competitiveness, as we said in answer to Q No. 2. That is why the companies should invest primarily in their effectiveness, which means a decrease of CO2 emissions as a natural effect. Free allocations give industry the chance to save its funds for investments connected with their effectiveness, which anyhow leads to the CO2 decrease.

A very good example is that of new coal power plants, which are more effective in comparison to older ones by more than 15%, which translates into a decrease of CO2 emissions by more than 30%. At the same time, power plants save 15% of coal and their entire production of power is cheaper (more competitive).

QUESTION 6: IN YOUR VIEW, IS THE ADMINISTRATIVE BURDEN FOR COMPANIES TO ENSURE THE FREE ALLOCATION VIA THE IMPLEMENTATION OF THE BENCHMARKING PROVISIONS PROPORTIONATE TO THE OBJECTIVES?

- a) absolutely proportionate
- b) quite proportionate
- c) quite exaggerated
- d) absolutely exaggerated
- e) I don't know

IF YOU WISH, PLEASE MOTIVATE YOUR ANSWER:

It should be a simplified system prepared for each sector of energy and energy-intensive industry, revised in 5 year intervals as technological progress should be taken into consideration. In this system, special attention should be paid to indigenous sources of energy and those companies which are importing for example: coal or gas from outside the EU, should have the their benchmark decreased by 10% to 15%.

This will boost usage of the UE's resources. Refineries should be exempted from this system as they have their own already prepared benchmarking system.

II. OPTIONS FOR POST-2020

A. STRATEGIC CHOICES

QUESTION 7: WHAT SHARE OF THE POST-2020 ALLOWANCE BUDGET SHOULD BE DEDICATED TO CARBON LEAKAGE AND COMPETITIVENESS PURPOSES?

- a) a lower share than in 2013-20
- b) a higher share than in 2013-20
- c) a constant share as in 2013-20
- d) there should be no limit to overall free allocation to industry
- e) there should be no free allocation post-2020
- f) I don't know

IF YOU WISH, PLEASE MOTIVATE YOUR ANSWER:

No restrictions should be applied nor bureaucratic limits (e.g. CSCF system) as concerns the volume of the EUA at the market. We should remember that the ETS is not an autonomous system, as many stock exchange players would see it, but it should perform a passive role to measure CO₂ emissions only. The EU should discuss at two yearly intervals how to solve running problems of competitiveness, unemployment and industrial development.

A 10 year perspective is really too long a distance to tackle such problem solving. More CO₂ reduction results in the price of CO₂ coming down even to zero Eur. Lower prices means the system concerning CO₂ emissions is working more efficiently as we are now witnessing. The budget should not be profiting from the malfunctioning of the industry but supporting it and finding funds from other sources, if necessary. Please note that Australia whilst combating CO₂ emissions has resigned from its ETS as it is detrimental for its economy.

QUESTION 8: CURRENTLY THE EUROPEAN COMMISSION IMPLEMENTS THE NER300 PROGRAMME TO PROVIDE FROM EU ETS SPECIFIC SUPPORT FOR LARGE-SCALE DEMONSTRATION OF CARBON CAPTURE STORAGE (CCS) PROJECTS AND INNOVATIVE RENEWABLE ENERGY. 300 MILLION ALLOWANCES, REPRESENTING CA. 2% OF TOTAL PHASE 3 ALLOWANCES, ARE DEDICATED FOR THIS PURPOSE. WHAT SHARE OF THE POST-2020 ALLOWANCE BUDGET SHOULD BE DEDICATED TO SUCH INNOVATION SUPPORT?

- a) a substantially higher share than in Phase 3
- b) the same share as in Phase 3
- c) a lower share than in Phase 3
- d) there should be no such innovation support post-2020
- e) I don't know

IF YOU WISH, PLEASE MOTIVATE YOUR ANSWER:

Really, it is very difficult to answer this question, as we see fundamental differences in understanding the main approach to CO₂ emissions. According to us, new developments concerning a decrease of CO₂ emissions should be supported starting from power production efficiency, no matter if it is based on coal, gas or other sources of energy such as RES and the utilisation of CO₂ (CDU).

We should eliminate CO₂ emissions by supporting fossil fuels, which are the cheapest and quickest way of reducing CO₂. NER does not allow it. CCS is still too expensive a method.

Funds should be effectively invested because it is an economic, practical matter and not a philosophic/bureaucratic one. Less money from the allowances is better but this money gathered should be put into a CO₂ emissions decrease, without any restrictions (fossil fuels, RES, etc.), whichever is the most effective for any particular country..

QUESTION 9: AT THE MOMENT, EU ETS RULES DO NOT CONTAIN A SPECIFIC SUPPORT SCHEME FOR INDUSTRIAL INNOVATION AND DEPLOYMENT OF NEW LOW-CARBON TECHNOLOGIES (APART FROM SUPPORT FOR CCS AND RENEWABLES UNDER THE NER300). DO YOU THINK THERE SHOULD BE SUCH A FINANCIAL SUPPORT SCHEME?

- a) yes

- b) no
- c) I don't know

IF YOU WISH, PLEASE MOTIVATE YOUR ANSWER:

The concept of NER 300, which is based on market pricing, will incur a lot of contradiction. According to this concept, a higher EUA price means that it is better for this concept because there will be more funds and everything will be done to keep the EUA price at the highest possible level and a bureaucratic CSCF will be applicable.

Such an administrative approach ignores market forces. The lowest EUA prices are better for development and competitiveness of the EU's industry. New funds should be based on other sources which will not create unnecessary tensions.

QUESTION 10: IF INNOVATIVE LOW CARBON TECHNOLOGIES IN THE INDUSTRY ARE TO BE FURTHER SUPPORTED, WHICH COULD BE POSSIBLE SOURCES OF FUNDING?

- a) It should be funded under a system similar to NER300 with extended scope to cover greenhouse gases reduction technologies in the industry
- b) It should be funded through a new dedicated scheme financed by the revenues from auctioning (e.g. x% of the auctioning revenues);
- c) other types of funding (please specify)
- d) I don't know

IF YOU WISH, PLEASE MOTIVATE YOUR ANSWER:

Firstly, we should define what "low carbon technologies" means. A definition should cover all technologies leading to a CO2 emissions decrease, no matter it is ETS or non- ETS sector. In the overall ETS sector, the energy industry, including energy- intensive, should be covered.

In such a system, there should be diversified funding, including NER300, an extended Horizon 2020, the EU budget, SET programmes, etc. The EIB should play its role as well, no matter what the source of energy (RES or fossil fuels) including energy- intensive industries (chemical, steel, refineries) ,and so on.

QUESTION 11: IN YOUR VIEW, IS THERE A NEED FOR ADDITIONAL MEASURES BEYOND FREE ALLOCATION AND EU-LEVEL INNOVATION SUPPORT TO ADDRESS THE RISK OF CARBON LEAKAGE FOR ENERGY INTENSIVE SECTORS COVERED BY THE EU ETS, POST-2020?

- a) yes
- b) no
- c) I don't know

IF YOU WISH, PLEASE MOTIVATE YOUR ANSWER:

From today's perspective, to be competitive the EU's energy- intensive industry should be given the same chances as competitors from outside the EU. It seems that free allowances, are not a guarantee for further investment in the EU and limitation of carbon leakage.

We suggest excluding energy and energy -intensive industry from the ETS until the end of 2030, and introducing carbon duties, which will create for these industries, an equal platform for international competition.

Exclusion from the ETS does not mean that industry will stop investing into CO2 reduction, as explained in the answer to Q. no. 2.

II. OPTIONS FOR POST-2020

B. ALLOCATION MODALITIES

QUESTION 12: CURRENTLY THERE ARE TWO CATEGORIES FOR SECTORS IN TERMS OF EXPOSURE TO THE RISK OF CARBON LEAKAGE: SECTORS ARE EITHER DEEMED TO BE EXPOSED TO SUCH RISK (THE SECTORS ON THE CARBON LEAKAGE LIST) OR NOT (SECTORS NOT ON THE CARBON LEAKAGE LIST). SHOULD THE SYSTEM CONTINUE WITH TWO CARBON LEAKAGE EXPOSURE GROUPS OR IS SOME FURTHER DIFFERENTIATION NEEDED?

- a) the present two groups should remain
- b) more carbon leakage categories should be defined
- c) there is no need for a carbon leakage list, all industrial installations should be treated as exposed
- d) there is no need for a carbon leakage list, all industrial installations should be treated as not exposed
- e) I don't know

IF YOU WISH, PLEASE MOTIVATE YOUR ANSWER:

Unfortunately, the EU has been losing its competitiveness in the last few years despite becoming a world leader in combatting CO₂ emissions. The CO₂ emissions per capita in the US is 17.0 tonnes, whereas in the EU it is 7.5 tonnes. It is estimated that a decrease of one ton of CO₂ emissions costs \$ 600. We in the EU have spent much money decreasing emissions and, as a result, became uncompetitive producing 28 million unemployed people. This situation concerns not only companies which are on the carbon leakage list but also those which are not. The major example is the energy sector where generated power should be affordable, due to fossil fuels and RES. More money for R&D means development of the EU's industry, competitiveness, and a decrease in unemployment and CO₂ emissions. Positive results will come thanks to market forces and not bureaucratic decisions. Moreover, we should protect the EU's market by imposing carbon duties, to provide a level playing field to EU companies in international competition.

QUESTION 13: UNDER THE CURRENT SYSTEM, EXPOSURE OF SECTORS TO THE RISK OF CARBON LEAKAGE IS PRIMARILY MEASURED BY THE SHARE OF 'CARBON COSTS' IN THEIR GROSS VALUE ADDED (GVA) AND BY THE INTENSITY OF TRADE WITH THIRD COUNTRIES. WHAT CARBON LEAKAGE CRITERIA SHOULD BE DEFINED FOR THE POST-2020 PERIOD?

- a) the present criteria should remain
- b) only the share of 'carbon costs' in the GVA should be maintained
- c) the share of 'carbon costs' in the GVA should be maintained, but 'carbon costs' should be taken into account to the extent that they can't be recuperated in product prices
- d) only the intensity of trade with third countries should be maintained
- e) additional criteria should be defined (please specify which current criteria should be maintained and which additional criteria should be defined)
- f) both the current criteria should be replaced and other criteria should be used instead (please specify)

- g) I don't know

IF YOU WISH, PLEASE MOTIVATE YOUR ANSWER:

The concept of carbon leakage is to give chances for those sectors which are on the carbon leakage list to survive and develop using very complicated criteria. Our main criteria should allow further development of industry by creating benchmarks for particular sectors, taking into account a given number of companies. The number of companies as a base for determination of CO2 emissions will vary from sector to sector. According to us, the EU's industry should be free from any restrictions unless they are imposed by associations of the sector (for. ex. chemical, refinery, steel, power industries) or by the EU, to elaborate suitable benchmarks different for each sector. We should not be more stringent than other countries, but we should spend more money on R&D.

QUESTION 14: WHAT THRESHOLDS SHOULD BE DEFINED FOR THE CRITERIA MEASURING THE RISK OF CARBON LEAKAGE?

- a) the present threshold (30% for the stand-alone criteria and lower values for the combination of several criteria) should be maintained
- b) other thresholds should be defined. Please specify below
- c) I don't know

IF YOU WISH, PLEASE MOTIVATE YOUR ANSWER:

Please go to our answer to Q no. 13. Any threshold limiting free development of the industry is detrimental to the EU's industry. A key question is why a threshold of 30% is applicable, but not 35% or 25%? That is why, we advocate deletion of any barriers except sectorial benchmarks, but by the end of 2030, even such barriers should be suspended to allow for the revival of the industry.

QUESTION 15: IN THE CURRENT SYSTEM, THERE IS A POSSIBILITY TO ASSESS THE EXPOSURE OF SECTORS TO THE RISK OF CARBON LEAKAGE ALSO BASED ON QUALITATIVE CRITERIA (ABATEMENT POTENTIAL, MARKET CHARACTERISTICS AND PROFIT MARGINS). DO YOU THINK THAT SIMILAR QUALITATIVE CRITERIA SHOULD BE MAINTAINED TO COMPLEMENT THE QUANTITATIVE CRITERIA?

- a) yes, it is important to maintain a certain level of discretion in the system for justified cases
- b) no, all criteria should be based on simple metrics and linked to clearly defined thresholds
- c) I don't know

IF YOU WISH, PLEASE MOTIVATE YOUR ANSWER:

See our answers to Q no. 13 and 14.

QUESTION 16: CURRENTLY, THE LIST OF SECTORS EXPOSED TO THE RISK OF CARBON LEAKAGE IS VALID FOR FIVE YEARS. WHAT SHOULD BE THE VALIDITY OF THE LIST FOR THE POST-2020?

- a) five years
- b) longer (please specify)
- c) shorter (please specify)
- d) in line with the duration of ETS Phase 4

- e) I don't know

IF YOU WISH, PLEASE MOTIVATE YOUR ANSWER:

There should be no limits for the EU's industrial development as concerns CO2 restrictions, unless imposed by sectorial approval. If we have no such system, then carbon leakage should be applicable till the end of 2030, comprising all sectors as now and fossil fuel power plants.

QUESTION 17: CURRENTLY BENCHMARKS ARE SET TO THE AVERAGE GREENHOUSE GAS EMISSION PERFORMANCE OF THE 10% BEST PERFORMING INSTALLATIONS IN THE EU FOR A GIVEN PRODUCT. WHAT ADAPTATIONS OF BENCHMARKS FOR 2021 ONWARDS SHOULD BE CONSIDERED, IF ANY?

- a) the present approach of average of the 10% most efficient installations should remain
- b) the approach should be more stringent (please specify)
- c) the approach should be less stringent (please specify)
- d) I don't know

IF YOU WISH, PLEASE MOTIVATE YOUR ANSWER:

A benchmark of 10% for the most efficient installations cannot be applicable to each sector. For ex. it probably should be suitable for the refinery industry, though some specialists are of the opinion that it should be 20%, including some refineries from outside of the EU. Not every industry is so uniform as the refinery industry. For ex. for chemical, steel, fossil fuel power plants, 10 % should be too low a criteria and international sectors should be taken into consideration to make the benchmark more balanced.

QUESTION 18: SHOULD THE BENCHMARKS BE REVISED TO REFLECT THE TECHNOLOGICAL STATE OF THE ART?

- a) yes (please specify how often)
- b) no
- c) I don't know

IF YOU WISH, PLEASE MOTIVATE YOUR ANSWER:

The benchmark should be revised every 5 years, but it should not be applicable to existing industry, which has already started its investments, but to new industry only. The "old" industry should have derogation for its activities for the normal period of depreciation acceptable in its sector. Anyhow, derogation should not be longer than 25 years. The point of the start of investment should be defined separately.

QUESTION 19: CURRENTLY, HISTORICAL PRODUCTION DATA ARE USED TO DETERMINE THE ALLOCATION DUE TO EACH INSTALLATION. OPERATORS HAD THE POSSIBILITY TO CHOOSE BETWEEN 2005-2008 OR 2009-2010 AS BASIS YEARS. SHOULD THE PRODUCTION DATA USED TO CALCULATE ALLOCATIONS IN PHASE 4 (POST 2020) BE UPDATED?

- a) no, the same baseline period chosen for allocation in Phase 3 should be maintained also for post 2020 (Phase 4) allocation
- b) yes, production levels in 2016-2018 should be the basis for post 2020 (Phase 4) allocation
- c) other (please specify)

- d) I don't know

IF YOU WISH, PLEASE MOTIVATE YOUR ANSWER:

We do not know what the production levels will be in 2016-2018, and what will be the final criteria. We should not wait for any criteria, as we have to invest now, not to lose the competitive edge. It seems to be very risky. That is why, anyone investing today and not fulfilling the future requirements, should be granted the derogation period until full depreciation of the investment. This concerns investments in fossil fuel power plants as well.

QUESTION 20: IS THERE A CASE FOR ANY DEVIATIONS FROM GENERAL HARMONISED ALLOCATION RULES, AND WHAT WOULD BE THE RISKS INVOLVED?

- a) no, there should be no deviations
- b) yes, there should be deviations with higher allowances for installations facing specific hardships
- c) yes, there should be deviations with lower allowances for installations enjoying very favourable circumstances
- d) both b) and c)
- e) I don't know

IF YOU WISH, PLEASE MOTIVATE YOUR ANSWER (MAX. 1000 CHARACTERS):

These deviations with higher allowances which help industry are expected and should be normal. The ETS, as we said above, should not be the regulator but should only measure CO2 emissions. If some installations enjoy a very favourable situation, it is probably due to R&D achievements or heavy investments. Let's leave them to enjoy the fruits of their activity and not deprive them. Do not create a system of backloading, as it is detrimental to the entrepreneurial approach.

QUESTION 21: SHOULD THERE BE A HARMONISED EU-WIDE COMPENSATION SCHEME FOR INDIRECT COSTS, I.E. FOR INCREASES IN ELECTRICITY COSTS RESULTING FROM THE ETS?

- a) no, the present approach should be maintained, i.e. that Member States can provide such compensation based on state aid guidelines
- b) no, and there is no need for financial compensation by Member States, either
- c) yes, in the form of additional free allocation
- d) yes, in the form of financial compensation at EU-level
- e) I don't know

IF YOU WISH, PLEASE MOTIVATE YOUR ANSWER:

Member states' compensations should be kept to a minimum. This is better as the system should be unified for the whole EU. First of all, we are not agreeable with the existing solutions incorporated in the ETS, as it should be fundamentally reformed and derogation for the whole of industry should be introduced and last till the end of 2030.

If we really want to encourage development of the EU's industry making it more competitive and decreasing unemployment, we should remove the existing barriers. If this is not possible, the ETS should be based on the sectorial benchmarks, and the yearly coefficient of 2.2% should be repealed, as it is artificial and

bureaucratic. The backloading system should also be repealed, due to its bureaucratic and anti-market principles. In case the ETS is not satisfactorily reformed, we should provide opportunities for free allocations, for which the member states are entitled to take decisions based on sectorial benchmarking.

II. OPTIONS FOR POST-2020

C. INNOVATION SUPPORT

QUESTION 22: IN YOUR VIEW, AT WHICH STAGE OF THE INNOVATION PROCESS IS THERE A PARTICULAR NEED TO STRENGTHEN THE EU'S INNOVATION SUPPORT? PLEASE RANK THE OPTIONS FROM THE MOST IMPORTANT TO THE LEAST IMPORTANT.

	Most important	Important	Less important	Least important	I don't know
To implement a small-scale prototype	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
At the conception stage)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
To implement a large-scale pilot	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
At the commercialisation stage	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

IF YOU WISH, PLEASE MOTIVATE YOUR ANSWER:

As we represent different sectors of industries starting from energy through to energy-intensive (e.g. refinery, chemical, steel), it is very difficult to prioritise at which stage the process of innovation should be strengthened. This should be discussed sector by sector starting from concepts up to the commercial scale.

QUESTION 23: SHOULD THE ALLOWANCES FUNDING LOW-CARBON INNOVATION SUPPORT COME FROM THE MEMBER STATES' AUCTION BUDGETS OR FROM FREE ALLOCATION?

- a) from the Member States' auction budgets
- b) from free allocation
- c) from both
- d) other
- e) I don't know

IF YOU WISH, PLEASE MOTIVATE YOUR ANSWER:

The innovation support should be based on free allocations granted by a particular Member State for at least five years. These allocations should be unlimited, but based on sectorial criteria, the same as for the whole of the EU.

SECTION II:

D. OTHER ISSUES

QUESTION 24: ARE THERE ANY OTHER ISSUES YOU WOULD LIKE TO RAISE?

The questionnaire seems not to have been prepared in a very objective way and questions are not exhaustive, suggesting support for a new ETS (2020-2030). We should first reform the ETS, and then Carbon Leakage as “a security valve” to the ETS. We fundamentally do not accept:

1. Exclusion of the fossil power industry from carbon leakage, which as in Germany and Poland is very effective in CO₂ reduction. The price of power should be affordable and competitive, but it is at least twice as much as that of non-EU competitors;
2. Re-industrialization implies more CO₂ emissions, and we should count emissions in tonnes per capita, as they vary from country to country. A decrease by percentage is not justified.
3. A LRF of 2.2% as it is artificial and not based on scientific and technological principles;
4. The same point (3) concerns MSM, as the ETS is not for stock-exchange players, but should measure CO₂ emissions in the EU helping the regulators decide how to develop the EU’s industry.