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# I.1 Competitiveness in the face of climate change: Questions

- Is there a contradiction between competitiveness and climate change policy (20/20/20 package)?
- Does the promotion of sustainability lead to burdens for EU industry's competitiveness?

## I.2. Competitiveness in the face of climate change: Some preliminary answers

- EU industry is quite energy efficient compared to other countries and is decoupling growth and pollution.
- Industry (directly and indirectly) emits only 25% of total CO<sub>2</sub> emissions in EU
- Abatement potential for consumers or in transport can be cheaper than in industry

## I.3 Competitiveness in the face of climate change: Some facts and figures

- Manufacturing industry is an essential pillar for growth and jobs:
  - One fifth of EU output and employment
  - 46% of labour productivity growth over 1995-2007
  - Around 4/5 of EU R&D investments
  - 75% of EU exports



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## II.1 The EU approach for energy intensive industries: ETS



- Installations under ETS must reduce CO<sub>2</sub> emissions by 21% in 2020 (with MS efforts in non-ETS, it makes 20%)
- In principle : auctioning of CO<sub>2</sub> emissions
- Some industry sectors are particularly vulnerable : Iron and steel, non-ferrous metals, cement ,refineries, aluminium
- These sectors represent 80%-90% of CO<sub>2</sub> emissions, direct and indirect, of manufacturing industry – excluding electricity sector.

## II.2 An example of a challenge? Cement



- 1ton Cement = 0,8 ton CO<sub>2</sub>
- Avg price cement = €60/ton
- ton CO<sub>2</sub>=12 Euro
  
- Risk of greater imports/less exports on third markets
  
- “Carbon leakage”



**III. How can we reconcile ambitious climate change objectives with industrial competitiveness ?**

**When global action is not yet certain ...**

# 3. Effect of the pledges of third countries

- Banking of allowances, access to CDM and free allowances help...

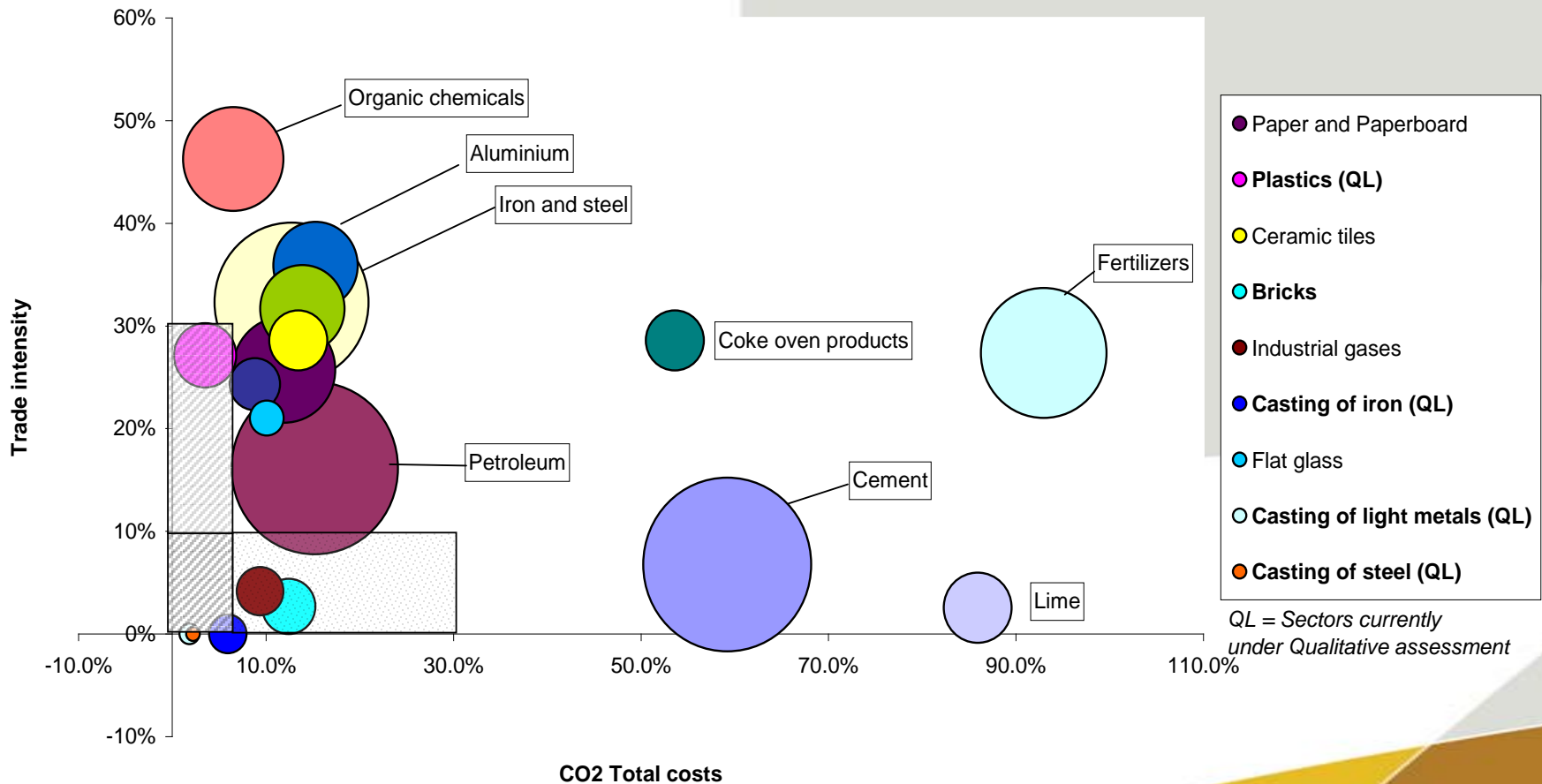
	Reference scenario: impacts of -20% vs. business as usual in 2020	Additional impacts of pledges under the Copenhagen Accord (in addition to reference scenario in 2020)	
		HIGH	Unilateral -30%
GDP [%]	-0,1	-0,1	-0,1
Sectoral output changes in petroleum and coal products [%]	-5,9	-2,1	-2,6

- ...but impacts at sectoral level (as shown here for the sectoral aggregate petroleum and coal products) are still significantly higher than at aggregate level.

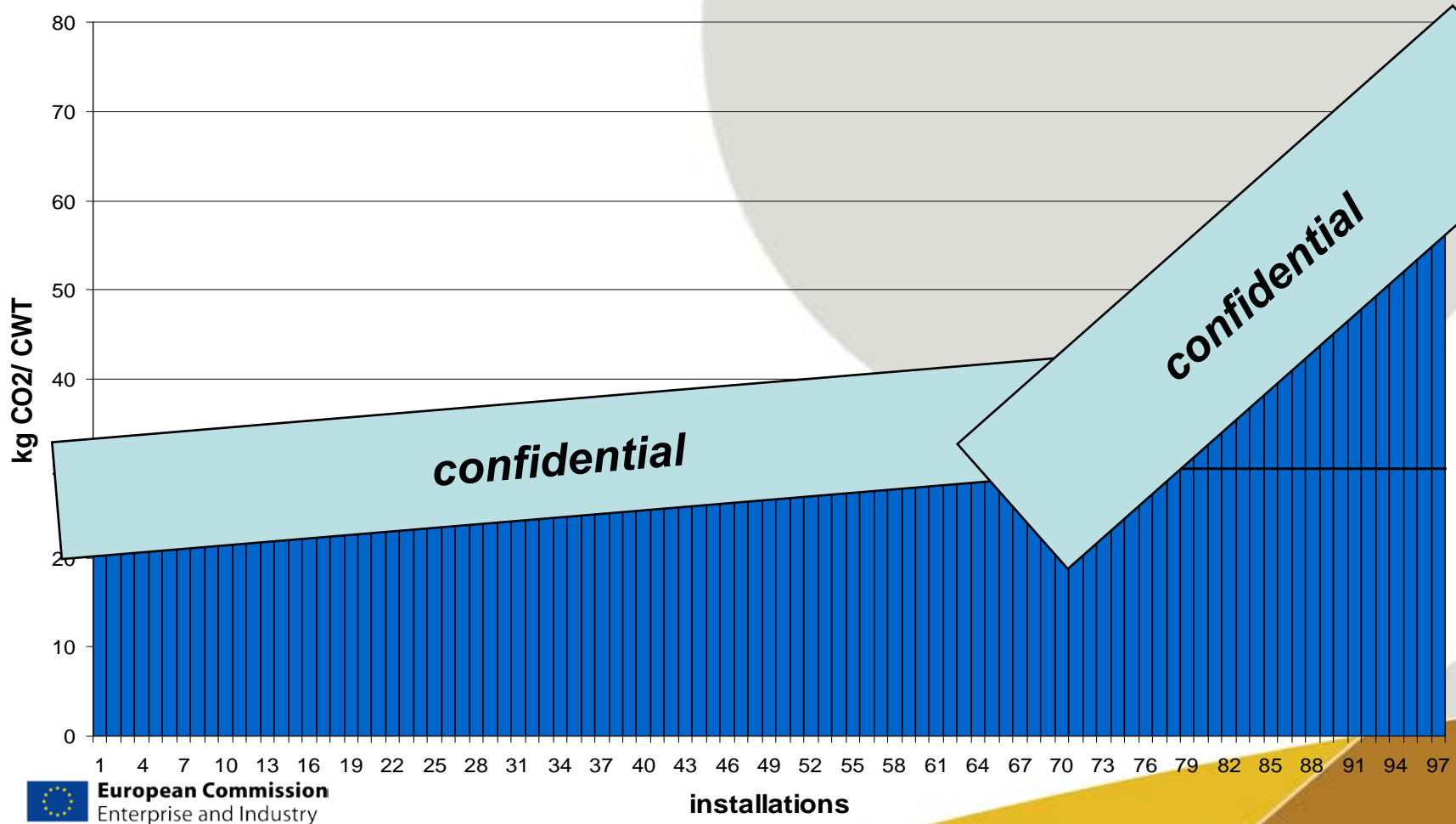
# IV. How to avoid carbon leakage

## 1. Free allowances

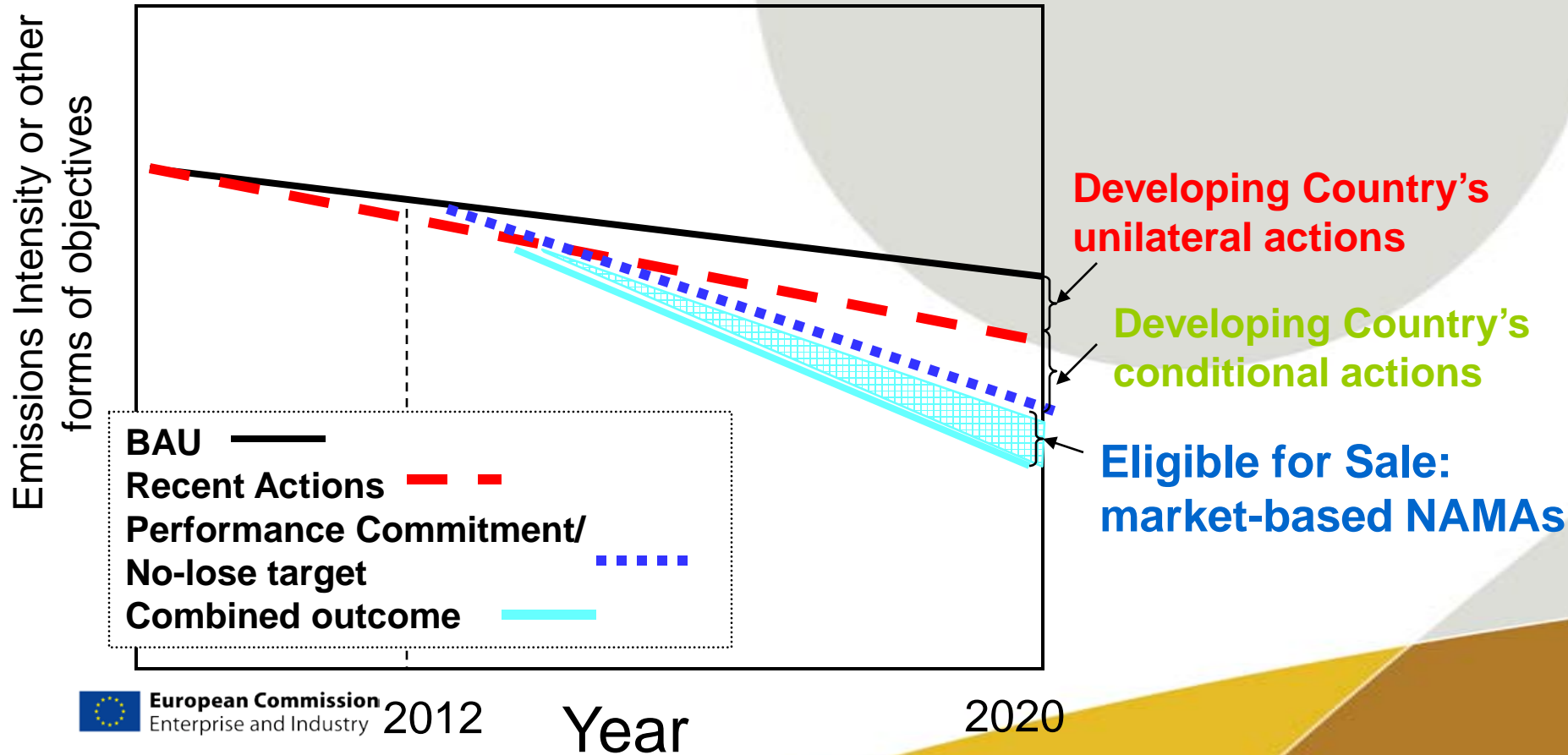
CO2 emissions for relevant sectors in the carbon leakage assessment  
 (bubble size indicates size of sector's emissions)  
 - Sectors in bold do not reach the CL criteria -



# But Allowances are only free UP to a benchmark



# IV.2. Dealing with inadequate mitigation actions of 1/3 countries: sectoral approaches



## IV.3. Border measures?

- *Limit adverse competitiveness impacts of unilateral policy on energy-intensive industries.*
- *But increased costs of imported inputs for EU manufacturers further downstream in the production chain*
- *To use border measures in relation to a level playing field on export markets, it would be necessary to have a border adjustment measure for exports.*
- *New impulse to the international climate negotiations as a new negotiating tool ?*
- *But risk of retaliatory measures*
- *Legal questions (WTO)*
- *Design, implementation and enforcement questions*

*In conclusion the Commission continues to study the inclusion of imports into the EU ETS.*

# V. Exploiting the opportunities...



- New markets, in Europe first,
- Growth in green collar jobs
- Opportunities to lead these markets internationally

# An example of the opportunity?

## Efficient products



- The best electricity, is the electricity we do not use!
- Switching to energy efficient bulbs saves energy consumption equal to that of Finland...and the related CO<sub>2</sub>
- Switching to energy efficient motors saves energy consumption equal to that of Sweden ..and the related CO<sub>2</sub>

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