

## Position Paper

# Recommendations for the EU's 2030 Climate and Energy Framework

In advance of the European Council's 23-24 October conclusions on the EU 2030 climate and energy framework, Eurometaux, the European non-ferrous metals association, stresses the importance of ensuring long-term protection and compensation for industries affected by carbon leakage under the revised EU Emissions Trading System (ETS).

### Indirect ETS costs have diminished the EU non-ferrous metals industry's competitiveness

- Electricity costs comprise **up to 50-60%** of the total cost in primary production of non-ferrous metals (aluminium, copper, zinc, nickel, lead, precious metals etc.). Their electro-intensity is higher than almost all other commodities.
- Because metal prices are set through **global pricing mechanisms**, any additional regulatory costs cannot be passed on to the final consumer.
- The European non-ferrous metals industry became part of the ETS in 2013 (with no surplus of CO<sub>2</sub> allowances), but has been **exposed to indirect ETS costs in higher power prices** for a much longer period, since 2005.
- Electricity prices in European markets are set by the marginal producer, and fully reflect the **increases of marginal costs in electricity generation** due to ETS.
- Long-term investments have been hindered by **volatile and increased long-term power prices**, in addition to **a lack of predictability for compensation of these indirect costs**, which has so far been left to the discretion of Member States.

### The EU's 2030 climate and energy framework must provide long-term protection and predictability

#### 1. Proper off-setting of the impact of ETS until a global agreement is in place

Eurometaux considers that **the EU should not make any unilateral commitments on their 2030 energy and climate package before the United Nations Framework Convention on Climate Change (UNFCCC) in Paris in 2015**. The European Council should reach agreement in October 2014 on the contribution the EU can make for reducing greenhouse gas emissions, in order to facilitate negotiations in Paris and with **the ultimate goal for a global and legally binding climate agreement**.

Until a global agreement on climate change provides **level playing field conditions for non-ferrous metals industries at risk of carbon and investment leakage**, best performers should not have **any** additional indirect or direct costs resulting from the revised ETS framework. This implies:

- **Full compensation** for indirect costs through an **EU wide scheme** (as currently given for direct emissions), linked to **actual output** and **realistic benchmarks**, thereby promoting industrial growth.
- Truly **100% free allocation** based on **technically** achievable benchmarks (including heat, fuel and process-based benchmarks), reflecting recent production, and without a cross sectoral correction factor.
- Consideration of structural reform elements to increase prices on emission allowances, such as the Market Stability Reserve (MSR), can be postponed and should **only be decided when the above measures have been determined**. If, however, such a reserve instrument is to be decided now, the European Parliament must include the provision for industries exposed to global competition to be fully compensated for the increased CO<sub>2</sub> costs in electricity prices.

## **2. Development of a non-restrictive and predictable EU electricity market framework**

The 2030 climate and energy framework must also prioritise the development of an interconnected single energy market, which delivers competitive and stable prices for industry. This implies:

- Further measures to stimulate the EU electricity market's development, with the aim to foster competitive markets **without political interventions**.
- A **removal of restrictions** on the ability to enter into long-term supply contracts in liquid markets.
- Acknowledgement that renewable energy sources (RES) generate **high volatility** in the EU's electricity market, creating imbalances and high costs for market participants. All RES should therefore be **fully integrated** into the market.
- **Better recognition** of the non-ferrous metals industry's contribution **to stabilising Europe's electricity grids** and power production. As the share of RES increases, in a scenario of higher future EU targets, non-ferrous metals production facilities provide an important balancing tool and increase the security of energy supply.

### **Eurometaux represents the European non-ferrous metals industry**

- **The NF-metals industry is indispensable for modern society.** Thanks to their intrinsic properties – including durability and multiple recyclability - non-ferrous metals are indispensable to meet essential societal needs and to build a low-carbon economy.
- **Non-ferrous metals contribute to European - and global - creation of wealth and jobs:** the non-ferrous metals industry represents 2% of EU GDP and creates **500,000 direct jobs and over 3 million indirect** jobs in Europe. The use of non-ferrous metals in high-tech and high added-value activities makes them integral to the EU's economy and competitiveness.
- **The NF-metals industry contributes to resource efficiency** by enhancing the in-use phase of products and also thanks to high recycling rates ranging between 30% and 95%, depending on the metals and their use. Primary and secondary raw materials are complementary, as secondary raw materials cannot on their own meet the growing needs of a sustainable economy.

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