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ETS Vote: MEPs act to tackle indirects, but compromise solution ultimately falls short

MEPs in the European Parliament's Environment (ENVI) Committee have today recognised the importance of effectively compensating indirect carbon costs from the Emissions Trading System.

However, their hybrid compensation system ultimately falls short of the mark required to keep Europe's non-ferrous metals industry globally competitive. Eurometaux now calls on MEPs to salvage the system in Plenary by removing the requirement for compensation levels to decline over time, and ensuring that the most efficient installations do not face undue carbon costs.

Guy Thiran, Eurometaux's Director General, stated: *"We must praise MEPs for kick-starting efforts to improve compensation of ETS indirect carbon costs. Regrettably, their hybrid scheme still misses essential elements. First, the centralised EU fund will only compensate 14% of industry's total costs; an insufficient baseline for supporting EU best-performers. Second, the level of optional Member State compensation would decline over time, putting the most sustainable installations in a precarious position on the global market.*

We now have a simple call for MEPs at Plenary: be smart, and deliver consistent indirects compensation without degression".

Currently, Member States partially compensate indirect costs on a voluntary basis. Only nine governments have done so to date. Eurometaux has called for a smart hybrid system to fully compensate indirect costs across Member States, which includes a central EU fund & optional Member State top-up to benchmark levels.

The hybrid system proposed by MEPs would allocate 3% of total allowances for central EU compensation of indirect costs, with an option for Member States to top-up according to State Aid rules. Crucially, the system requires that compensation limits decline over time. This contravenes European Council Heads of State Conclusions from 2014: namely that "the most efficient installations... should not face undue carbon costs".

Moving away from indirects, Guy Thiran continued: *"We are however pleased that MEPs have recognised the specific carbon leakage risk for sectors unable to pass-on their carbon costs. Our top-performing EU installations face unilateral carbon costs which cannot be escaped, disadvantaging them against competitors in other areas of the world. MEPs are right that this situation should be considered in EU carbon leakage assessments".*

Non-ferrous metals, ferro-alloys and silicon sectors are unusual because their product prices are set globally, according to commodity exchanges like the London Metals Exchange or other similar pricing mechanisms. Because metals producers have no control over their product's sale price, they are unable to pass-on additional local costs to their customers.

About Eurometaux

Eurometaux is the decisive voice of non-ferrous metals producers and recyclers in Europe. With an annual turnover of €120bn, our members represent an essential industry for European society that businesses in almost every sector depend on. Together, we are leading Europe towards a more circular future through the endlessly recyclable potential of metals.

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