The European Industry Associations listed above, as individual members of the Alliance for a Competitive European Industry and the Alliance of Energy Intensive Industries, support the overall EU Climate Change objective and call for a workable EU ETS that maintains the competitiveness of their sectors. They urge the EU Institutions to include the following provisions:

The EU ETS Directive recognises the need to identify through criteria the energy intensive sectors exposed to international competition, as well as potential solutions to mitigate carbon leakage and loss of competitiveness. The European Parliament and the Council reinforced these concerns aiming at developing improved criteria.

As the Trialogue seeks to conclude this very important legislation, the European Industry Associations strongly urge for a fair and transparent treatment for all ETS sectors based on objective analysis. Criteria and related thresholds should be set and agreed by the Council and the EU Parliament so as to provide a predictable framework for businesses to make both operational and investment decisions.

The European Industry Associations accept the Cap and that the overall EU 20% target should not be compromised. However auctioning is not needed to meet targets; it is an instrument not a goal.

Exposed sectors must qualify for performance-based free allocations linked to ambitious benchmarks. This would incentivise the most efficient operators and safeguard the achievement of the ETS emission reductions at significantly lower unilateral costs to the EU economy. Benchmarks have been produced, and should be set at such a level that allows for effectiveness and secures that targets are met while preserving the competitiveness of the European industry.

We support the finalisation of objective and inclusive criteria with realistic threshold values. We believe that the criteria most recently proposed by the Council, building on EP ENVI Committee vote, improve the original proposal.
In particular, we support an integrated analysis of:

- **The quantitative measure of either: direct and indirect carbon intensity (kg/€)**, or the impact of the real direct and indirect costs of CO$_2$ on gross value added (€/€), which can also serve as an approximation of profit margin. In this respect, we stress that the work currently under way in the Commission, while based on relevant data, does not assess the impact of the costs of CO$_2$ versus Gross Value Added. It still focuses on the costs of CO$_2$ versus the prices of products, which is inadequate to reflect the competitive risk to a sector.

- **The exposure to international trade**, provided the associated methodology also considers effects throughout the whole value chain and recognises that trade is dynamic, which is not yet included in recent Commission’s papers. Future trade patterns and the likely impact of cost increases due to CO$_2$ on competitiveness and trade flows are indicators of ability to pass on these costs and should also be examined.

Qualitative criteria (e.g. profit margin) that further enhance the analysis should be included in the Directive. All our sectors are committed to provide the data necessary to complete the assessments along those above lines.

**Thresholds should be set in such a way that all sectors with a presumption of risk based on either of the above criteria are included unless there is clear evidence to the contrary.** Realistic carbon price assumptions (including sensitivity analysis with a price range well above 30€/tonne CO$_2$) must be taken as the basis for any evaluation of the risk of carbon leakage.

As a matter of fairness the level of auctioning for those sectors assessed as not exposed should be reasonable (e.g. 20 %) and remain flat over the period.

**In conclusion the European Industry Associations reiterate their demand to be all treated in a fair and transparent manner within the EU ETS Directive. They are ready and willing to assist further in the refinement of criteria, methodologies and appropriate thresholds.**

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1 For indirect impacts based on the carbon intensity of the marginal plant
ACEA, representing the European Automobile Manufacturers
Ivan Hodac, Secretary General

CEFIC, representing the European Chemical Industry
Alain Perroy, Director General

CEMBUREAU, representing the European Cement Industry
Jean-Marie Chandelle, Chief Executive

CEPI, representing the European Pulp and Paper Industries
Teresa Presas, Managing Director

CERAME UNIE, representing the European Ceramic Industry
Renaud Batier, Managing Director

CIAA, representing the European Food and Drink Industries
Mella Frewen, Director General

CPIV, representing the European Glass Industry
Frédéric Van Houte, Secretary General

EULA, representing the European Lime Industry
Michelle Wyart-Remy, Secretary General

EUROALLIAGES, representing the Ferro-Alloy Industry
Ines Van Lierde, Secretary General

EUROFER, representing the European Steel Industry
Gordon Moffat, Director General

EUROMETAUX, representing the European Metals Industry
Guy Thiran, Secretary General

EUROPIA, representing the European Petroleum Industry
Isabelle Muller, Secretary General

EXCA, representing the European Expanded Clay Industry
Karin Gäbel, Secretary General

IFIEC Europe, representing the Industrial Energy Consumers
Hans Gruenfeld, President