

## Press release

# To support the EU's most sustainable industries, the 'fine print' in the CO<sub>2</sub> market revision will be crucial

Brussels, 2 February 2023

*The EU carbon market forms the cornerstone of Europe's plan to reduce its CO<sub>2</sub> emissions by 55% until 2030, from a 1990 baseline. [Final agreements on its mechanisms](#), published today, show that a number of 'delegated acts' will still be required to provide much-needed details. These delegated acts could take another two years before being published. For the EU's industry, this spells uncertainty for achieving a highly increased target to cut 62% of its CO<sub>2</sub> emissions by 2030.*

Much debate has crystallised on the phasing out of free allowances to the EU industrial sector. They are a form of indirect support to the industry aiming to level the playing field with non-EU competitors, notably from countries where carbon pricing does not yet exist. **Free allowances have also contributed to the paper industry investing between 4 and 5 billion euros annually to reduce its carbon footprint, reducing its emissions by 36% compared to 2005.**

As free allowances are progressively retired from circulation, a mechanism to charge imports of products according to their carbon footprint, the CBAM, is meant to replace them. But for sectors such as pulp and paper, for which it has been clearly established that CBAM would not be a viable solution, it is unclear if and when the mechanism will enter into force and **how to compensate companies having to purchase carbon market allowances to keep producing in Europe, while at the same exporting to countries where no carbon pricing rules exist.**

Remaining allowances will be allocated through a calculation involving a system of benchmarks, including 11 pulp and paper products. The calculation formula and precise new benchmarks are expected to result in **speeding up the phase out of free allowances even for best performers.** In markets exposed to global competition, the paper industry like many other sectors cannot charge a 'green premium' on its customers to compensate for substantially higher production costs.

How tightly defined will be the technological investments now conditioning free allowances is another open item, potentially game-changing. Privileging some solutions over others could channel money towards technologies that will only provide results on the long-term and for large investments. This could create an **'energy emission trap' where EU companies invest in costly technologies while barely making a dent in their CO<sub>2</sub> emissions** on the short-term, and paying an increasingly high carbon price for it.

### Quotes

*"The negotiation has entered its fine print phase. A one-year difference in the date that a given provision will enter into force, or a small change in the benchmark calculation could mean missing out on billions in potential green investments or a losing share of the EU market to more fossil-intensive competition."*

*"Time is ticking fast to the 2030 targets. The European manufacturers are increasingly squeezed between having unrealistically short time to implement the legislation or risking being an early mover only to discover that they are being penalised by the regulation."*

Jori Ringman, Director General – Cepi (Confederation of the European Paper Industries)

**Notes to editor:**

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For more information on Industry commitments, please consult

[Cepi's Sustainable Product Pledge](#),

[Cepi's Pledge to support the 3 billion trees initiative](#).

[The 4evergreen cross-industry alliance](#).

For more statistics on the paper and pulp industry in Europe and worldwide, please refer to the latest version of our yearly report and preliminary report:

[Key statistics 2021](#)

[Preliminary statistics 2021](#)

**About Cepi:**

Cepi is the European association representing the paper industry. We offer a wide range of renewable and recyclable wood-based fibre solutions to EU citizens: from packaging to textile, hygiene and tissue products, printing and graphic papers as well as speciality papers, but also bio-chemicals for food and pharmaceuticals, bio-composites and bioenergy. We are a responsible industry: 85% of our raw materials are sourced in Europe and certified as sustainable, 92% of the water we use is returned in good condition to the environment. We are the world champion in recycling at the rate of 73.9%. At the forefront of the decarbonisation and industrial transformation of our economy, we embrace digitalisation and bring 18.5 billion value addition to the European economy and €4.5 billion investments annually. Through its 18 national associations, Cepi gathers 495 companies operating 895 mills across Europe and directly employing more than 180,000 people.

More information about our sustainability performance [here](#).