

RESPONSE TO PUBLIC CONSULTATION

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CONSULTATION ON THE EC GREENPAPER ON A FRAMEWORK FOR CLIMATE AND ENERGY POLICY 2030

The member companies of the **IKEM – Innovation and Chemical Industries in Sweden** (IKEM) innovate and manufacture resource efficient products and solutions that are essential to almost all value chains, thus enabling the sustainable development in the society as a whole. The activities of the member companies are important to the welfare of our society and employment. Our member companies compete on the global markets and are in general energy- and capital intensive.

GENERAL EXPERIENCE

Climate change is a global challenge and can only be solved on the global level. The EU can make a difference in fighting climate change but only by providing opportunities attracting investments, growth and competitiveness. Any scheme less than that will be counterproductive to the industry, welfare in society and not the least the climate. The EU policy on energy and climate must be adapted to the global development.

TARGETS

The overall goal of the EU energy & climate policy should always be strengthening of the competitiveness of the industry, globally reduced emissions of greenhouse gases and security of supply.

The EU ETS

The main policy instrument for climate change actions in the EU is the ETS system. The purpose of the ETS system is to accomplish emission reductions in the most cost efficient way. It can be established that the target of 20 % emission reduction will be met at significantly lower cost than originally



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estimated. The ongoing discussion, proposing intervention in the market based ETS system because the price of CO₂ is regarded to be too low and does not generate enough revenue to Member states, is putting in question the political will in the EU to use market based system as such. Interventions with the sole purpose of making the cost burden for industry heavier will seriously harm the competitiveness of the EU industry, not only in short term but certainly in the long term.

Energy efficiency

Targets and initiatives on Energy efficiency and renewable energy have supported the achievements of the reduced emissions of greenhouse gases. However, the formulated EU target on energy efficiency as a cap on energy use is most unfortunate and negates true energy efficiency. There is no purpose of its own not to use energy. Focus must be the efficient use of energy. Experience from energy efficiency programs in Sweden shows that Energy efficiency measures can be achieved if they are cost efficient and strengthens the global competitiveness of the industry.

Renewables

The targets on renewable energy are subject to national subsidy schemes and are affecting the energy pricing. Connecting renewable energy generation to the grid comes at high costs and makes the energy user cost burden heavier. At present there is only policy on energy use for renewable resources. This is not taking due consideration to the ongoing and future developed use of such resources as feed stock for the production of goods, such as chemicals.

Sector level

The technical and economical capabilities of the various sectors in society are different. Therefore, the contribution of each sector will be different. The principle of cost efficiency must be a guiding principle and the different market conditions must be taken into consideration. For industry competing on the global market with competitors with less or no restraints on carbon emissions the situation is different to the local service provider or the housing sector.

INSTRUMENTS

The national and the EU level

In theory one size fitting all is the most cost efficient way to advance on set goals. In reality, the fact is that the member states in the EU are different in many aspects. What is efficient and makes sense in one member state is counterproductive in another. Therefore, common goals, set in a bottom up process, can be a way forward if there is enough flexibility in the modus to achieve a cost efficient contribution to the common goal in each member state.

The actions or inactions of each member state affect the neighboring member states. In a common energy market each member state must contribute to its own security of supply, stability and balance between energy need and energy supply. The outset for common policy areas must be to achieve a market which is strengthening the competitiveness in all member states. Without this prerequisite there is no ground for a common energy market.

COMPETITIVENESS AND SECURITY OF SUPPLY

Important elements

The EU industry is making important contributions to the global reductions of greenhouse gases. The Swedish electricity mix is highly climate friendly and the energy intensive industry are holding back the global emissions of greenhouse gases by efficiently using that electricity in the production of goods that are in demand globally. Therefore, it makes good sense that good performers will have good opportunities for long term growth. The opposite conclusion would be detrimental to jobs, growth, competitiveness and the climate.

Evidence of carbon leakage

Investment is a key issue for the long term growth and development of industry. In that perspective, a higher rate of investment in other regions of the world than the EU, is indicating carbon leakage. At present the capital is looking to other regions in the world than the EU. The long term position for the EU as a strong industrial region in the world is challenged if the rate of investment is continuously lower.

Trend in energy cost

The subsidization of renewable electricity production, the induced heavy grid costs and the indirect effect to the electricity prices from the climate policies are all pieces of setting the EU towards a high cost region for energy. As such, this threatens the long term growth of the EU energy intensive industry and the economy of all citizens of Europe.

Regulatory certainty

Ideally, having a global ETS involving all major players and enabling a level playing field for EU industry with their global competitors would strengthen the cap & trade system. However, as we are far from such a situation it makes good sense to take due consideration to the global competitiveness when setting policy goals in the EU. Unilateral higher ambitions creating higher costs for the EU industry must be made conditional on global participation.

Innovation capacity

By concentrating on overcoming the technical barriers, government, universities and industry, can jointly work on innovation and R&D. Having the proceeds from the ETS system linked to the level of innovation is difficult as high proceeds from the ETS system auctioning will induce high cost for industry and thus be detrimental to the very ability for the EU industry to innovate.

Indigenous conventional and unconventional energy sources

The concept of a level playing field matters to industry that compete on the global markets. The availability and multitude of energy and feed stock need to be comparative to what is the case in the regions with whom we compete. Not least the rapid development in the USA in shalegas has redrawn the global energy map resulting in a price advantage for the USA industry both in lower electricity prices and lower feed stock prices. Therefore, the extraction of shalegas in Europe, taking due environmental considerations, has the potential to add to the supply of natural gas thus strengthening the competitiveness of the European industry and reduce the emissions of greenhouse gas replacing coal and oil at the same time.

CAPACITY AND DISTRIBUTIONAL ASPECTS

Equitable distribution of efforts

This issue is fundamentally a question about member states moving in the same pace or not for the creation of common good. The capabilities of contributing to the common goals are different in the EU member states. Therefore, the contribution of each member state will be different. As in all policy cost efficiency must be a guiding principle when setting common EU targets. This means that member states with little capability will contribute with less and that member states will contribute with more. It does not mean that the burden for the member states with more capability should be overstretched. Such a situation would overstretch the factual joint ability of the EU as a whole.

BEING PART OF THE EUROPEAN CHEMICAL INDUSTRY

We also refer to the response from CEFIC which we support.

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