AIVE input to the Public Consultation on the Green Paper "A 2030 framework for climate and energy policies"

July 2013

AIVE - Register ID: 058183111311-41.

1. Introduction

AIVE (The Portuguese Container Glass Industry) supports the application of the art technologies to improve energy efficiency, to lower emissions and to develop new glass products that contribute to energy savings.

In line with FEVE (the European Container Glass Federation) and Glass Alliance Europe, the Portuguese Container Glass Industry supports the ETS, provided that effective provisions are put in place to avoid relocation of production outside Europe.

2. AIVE input to the Consultation

2.1 General

1. Which lessons from the 2020 framework and the present state of the EU energy system are most important when designing policies for 2030?

AIVE welcomes the approach adopted by the Commission, focusing not only on climate change but also on energy. Europe needs a stable industrial policy**,** encouraging growth and jobs creation. In the absence of global agreement ensuring comparable burdens on industries around the world, ETS in the third trading period will put additional direct and indirect costs on manufacturing industry.

In spite of supporting an energy and climate policy, we can not accept that a one-dimensional policy, focusing on climate, but ignoring growth, represents the 2030 framework for climate and energy policies.

If no global agreement is reached, the EU should not set absolute targets on industry, but should aim for relative CO_2 target (energy efficiency) couple with industrial targets, with technical and economical feasible solutions per sector for emission reduction.

Targets should not be based on an overall target requiring all sectors to carry out the same efforts.

The EU 2030 energy and climate objective should be based into the real cost effective reduction potential of each sector and share the efforts between sectors accordingly.

2.2 Targets

1. Which targets for 2030 would be most effective in driving the objectives of climate and energy policy? At what level should they apply (EU, Member States, or sectoral), and to what extent should they be legally binding?

Targets should be set to encourage not only GHG emissions reductions, but also to support growth and competitiveness (see 4.1) and R&D. In the absence of a global agreement, AIVE recommends to have:

- One relative target to CO_2 (not an absolute cap which limits growth, but emissions per unit of production)
- One industrial target, in accordance with pre defined ratios
- One target for energy efficiency in non-commercial buildings

EU should also promote R&D for developing energy efficient and environmental processes and products

EU targets should be privileged to ensure a harmonized approach across the 27 Member States.

2. Have there been inconsistencies in the current 2020 targets and if so how can the coherence of potential 2030 targets be better ensured?

One inconsistency is the confusion around achieving a certain environmental cap, or achieving a pre-determined carbon price.

The unique objective of the ETS directive is to reduce GHG emissions by 20% by 2020 by setting a cap on greenhouse gases emissions and to do so in the most cost-efficient way. It is not the purpose of this market mechanism to provide an arbitrarily pre-determined carbon price – a tax would have been better adapted for this purpose. This is largely acknowledged in the recitals of the directive, e.g. in Recital 5 of the ETS.

Whatever the CO_2 price in the third period 2013 - 2020, it is absolutely certain that the overall EU cap will be achieved, because the number of CO_2 allowances is fixed by the directive and a linear reduction factor (-1.74%) applies every year.

It is therefore not the goal of the ETS to achieve a certain CO2 price or to artificially prop up markets for so called low-carbon technologies and the multitude of speculative trading platforms set up to trade in CO2. This clarification is essential to avoid future debates around carbon prices.

Another inconsistency is the risk of carbon leakage should be better addressed in the future. Free allocation is a good principle, but, this principle alone does not guaranty any effective protection of industry.

3. Are targets for sub-sectors such as transport, agriculture, industry appropriate and, if so, which ones? For example, is a renewables target necessary for transport, given the targets for CO2 reductions for passenger cars and light commercial vehicles?

It is fair that all sub-sectors take a share in the reduction of GHG emissions. Industry is currently the most impacted sector with the ETS, while this sector has continuously reduced emissions. The best available techniques to reduce CO_2 emissions from Container Glass Manufacturing are already well implemented, and there are no breakthrough technologies available to reduce emissions dramatically CO_2.

4. How can targets reflect better the economic viability and the changing degree of maturity of technologies in the 2030 framework?

Targets should be set based on technologies which are economically affordable, currently available, applicable and have been demonstrated to work. We can not forget that a glass furnace is up (typically between 10 to 16 years), and is not cost effective to introduce changes before that.

5. How should progress be assessed for other aspects of EU energy policy, such as security of supply, which may not be captured by the headline targets?

Targets should be broader than what they are today and should encompass other aspects including climate change

2.3 Instruments

1. Are changes necessary to other policy instruments and how they interact with one another, including between the EU and national levels?

Over the last years, AIVE has claimed about legislation. It should be less fragmented and much more focused.

The Commission and National Authorities should look at the cumulative effects of all pieces of legislation effecting industry and not only piece by piece, in order to have a global view of the total costs affecting industry in EU.

Industry should be involved in early stages of new initiatives in order to find realistic and feasible solutions using the technical expertise with in industrial sectors.

Climate change policy should be ideally set at EU level, and member states should refrain from taking additional measures.

2. How should specific measures at the EU and national level best be defined to optimise cost-efficiency of meeting climate and energy objectives?

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3. How can fragmentation of the internal energy market best be avoided particularly in relation to the need to encourage and mobilise investment?

There are big differences in the costs of energy between Member States, depending on national energy policies, namely nuclear and coal power, wind and solar, with some countries' costs bordering on the extortionate. There is no level playing field within Europe as regards energy costs. Now with the shale gas revolution the outlook for energy prices in other parts of the world e.g. US has completely changed the game. We must keep our industries inside Europe and energy costs being one of the biggest outlays is a determining factor. The EU should have an energy policy to reduce energy costs as well as a Climate change policy which should be set at EU level. Member states should support a level playing field in a single market and so refrain from taking additional measures which could distort that market.

4. Which measures could be envisaged to make further energy savings most cost effectively?

Energy savings are important in terms of saving costs and important to reduce resource use and emissions but such savings can only be garnered when new technologies are applied. Applying technologies before the life span of a furnace is up, is not cost effective and renders a business uncompetitive. So we believe that investment cycles should be taken into consideration (e.g. imposing a 10% best performers benchmark to the glass industry from one year to another does not take into account the fact that glass furnaces have a lifespan of more than 15 years, and that it is not possible to implement best available technologies before a furnace repair).

In the glass industry, recycling goes together with energy savings. On a cradle-to-cradle basis, every tonne of post-consumer cullet recycled in a glass furnace saves CO_2. Investing in glass collection and recycling systems is a good solution to improve energy efficiency and reduce CO_2 emissions.

5. How can EU research and innovation policies best support the achievement of the 2030 framework?

The EU research and innovation policies should be directed to achieving a low carbon economy of 80-90% reduction in CO2 by 2050. This is a huge challenge. Today technologies do not exist that can be applied to industry so it is important that a major effort is made by public authorities to finance directly the R & D of industry to adapt production to meet this objective.

2.4 Competitiveness and security of supply

1. Which elements of the framework for climate and energy policies could be strengthened to better promote job creation, growth and competitiveness?

Setting targets for these different elements is one option.

It is also essential to create genuine protection against carbon leakage under the EU ETS post 2020 to protect EU industry from relocation and ensure a global decrease of GHG emissions and to re-industrialise Europe with clean but competitive industries.

The ex-ante allocation mechanism causes a shortage of free allowances when the production increases, compared with the historical reference period. The current framework for compensation is inadequate to cover the indirect cost of climate policies.

It would be useful to compare the existing best practices in the different Member States regarding aids for investment in energy efficiency.

2. What evidence is there for carbon leakage under the current framework and can this be quantified? How could this problem be addressed in the 2030 framework?

Relocation of industry outside the EU is one aspect of carbon leakage. However, it is very difficult to demonstrate that this happens due to climate change policies only.

The cost of carbon adds up to other costs which are higher in Portugal than in the rest of the world (energy prices, environmental compliance costs, administrative costs, etc) and makes Europe less attractive for investors.

3. What are the specific drivers in observed trends in energy costs and to what extent can the EU influence them?

There are a lot of studies approaching this matter.

4. How should uncertainty about efforts and the level of commitments that other developed countries and economically important developing nations will make in the on-going international negotiations be taken into account?

It is important that all players who can do take action on climate change. The European region accounts for only 11% of global CO2 emissions. It is vital therefore that CO2 reductions are done by all regions in the world. Europe should stop taking unilateral emissions reduction targets as this will not reduce emissions outside Europe. As a consequence, EU industry is penalised while global emissions increase.

5. How to increase regulatory certainty for business while building in flexibility to adapt to changing circumstances (e.g. progress in international climate negotiations and changes in energy markets)?

Interlinked targets should be defined, with different levels of ambition depending on the global negotiations context and European economic situation.

6. How can the EU increase the innovation capacity of manufacturing industry? Is there a role for the revenues from the auctioning of allowances?

Yes, revenues from auctioning should not disappear into the general budget of the member states but should be earmarked to be invested in Research and Development. Innovation needs financial resources and long term legislation.

The environmental legislation in EU is too much fragmented at the moment and creates an unbalanced compared to competitors outside the EU and therefore drives industry and innovation out of Europe.

Manufacturing industry is less and less attractive for young talents in universities wanting to invent new technologies, with many university departments having been shut down. There is

certainly a role for the EU and Member States to invest in Universities and encourage research programmes.

7. How can the EU best exploit the development of indigenous conventional and unconventional energy sources within the EU to contribute to reduced energy prices and import dependency?

Today no one energy source is a panacea. Therefore Europe should keep all its options open by supporting all forms of energy that can drive down emissions while keeping a healthy and competitive industry in Europe.

8. How can the EU best improve security of energy supply internally by ensuring the full and effective functioning of the internal energy market (e.g. through the development of necessary interconnections), and externally by diversifying energy supply routes?

It is important to have in Europe a well organized supply of different types of energy with a fair market price level, to avoid speculation that may affect the energy prices levels and CO_2 prices.

Differences in energy prices between different EU countries should be limited.