



Positions supported by Solvay and Ford Europe

Florence Forum, 16-17 September 2004

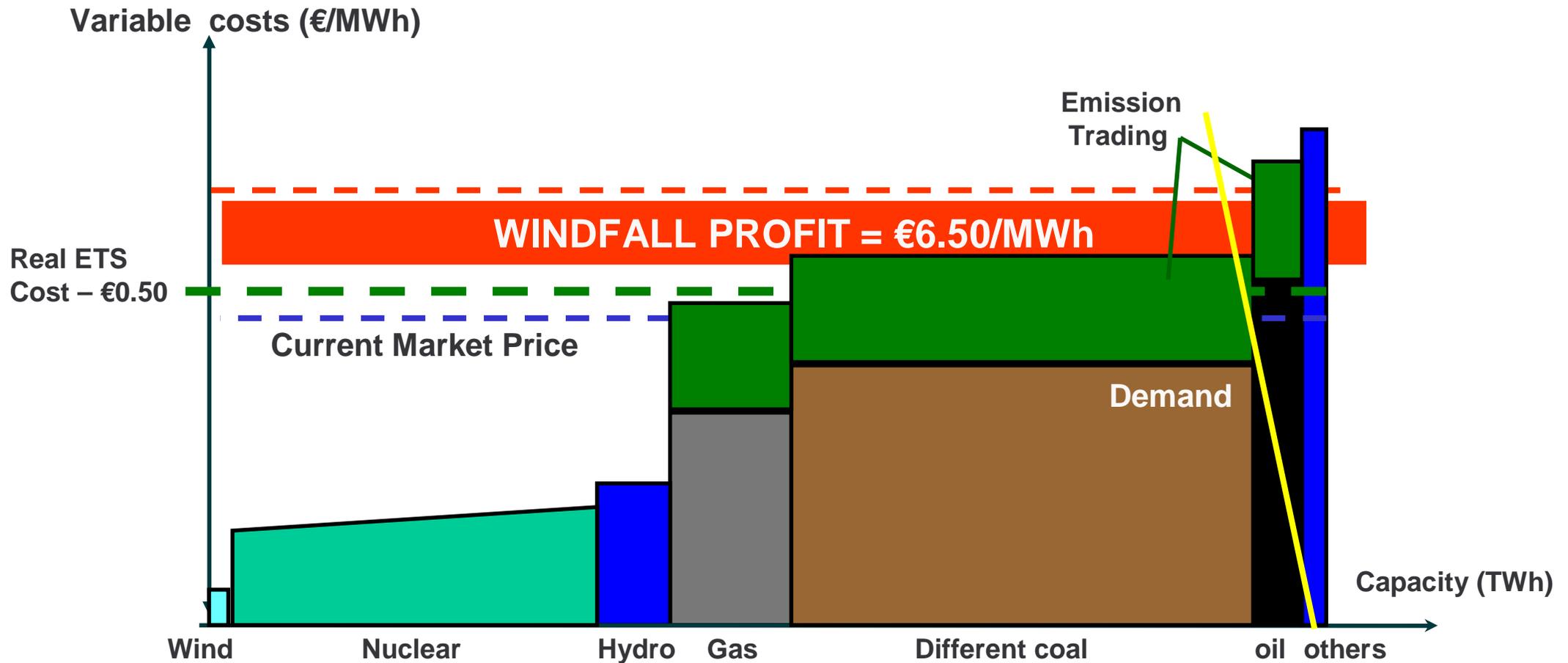
The Alliance of Power Intensive Industries

A total turnover of about €295 billion

Provide employment to 1.4 million people in Europe

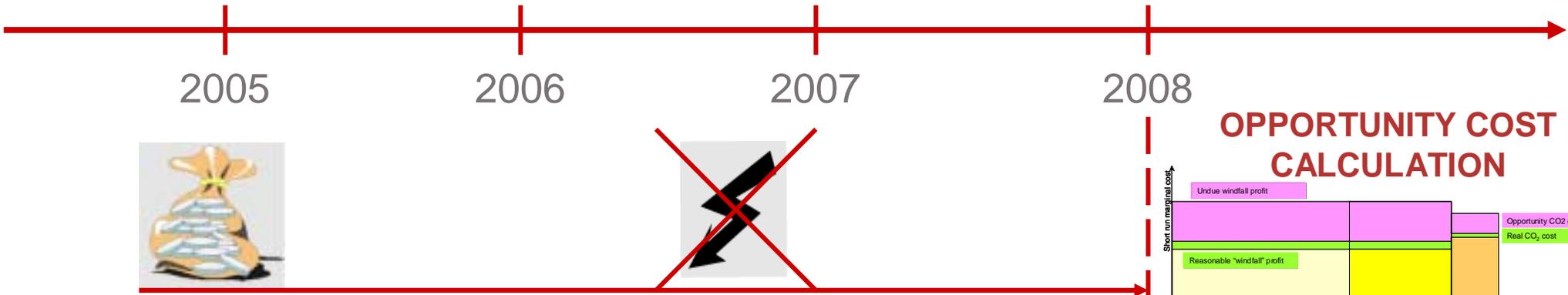
Problem: Opportunity cost calculation in power price

With 0.7 tonne per MWh for fossil fuel-based electricity and a price of **€10/tonne of CO₂**, the impact of the EU-ETS on marginal cost resulting from the opportunity cost effect of valuing free of charge allowances is around **€7/MWh**



Problem: Opportunity cost

Free of charge Allocation

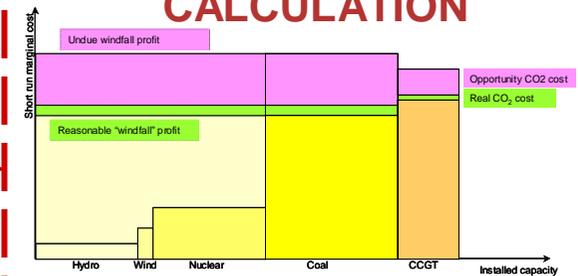


EX ANTE
ALLOWANCES
ALLOCATION

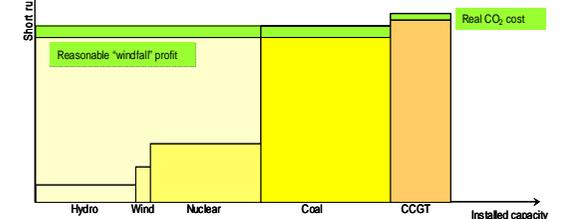
No production – Opportunity
to sell all allowances
including free of charge

The cost of allowances – either real cost or opportunity cost
will become part of the variable costs of electricity,
irrespective of the amount of allowances allocated to the
power plant

OPPORTUNITY COST CALCULATION



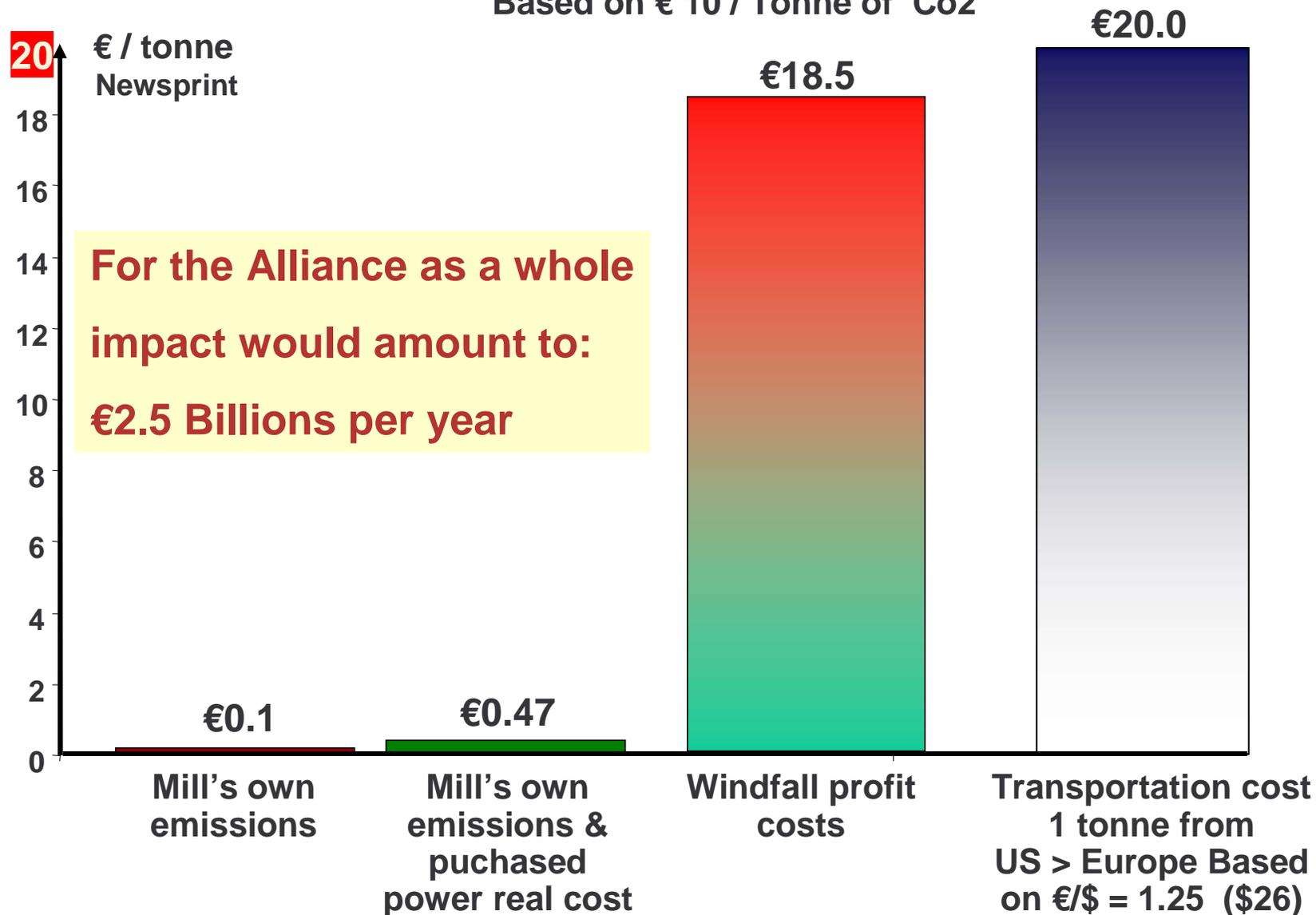
REAL COST CALCULATION



Example: Impact per ton of produced newsprint paper

Windfall Scenario & competitiveness threat from import

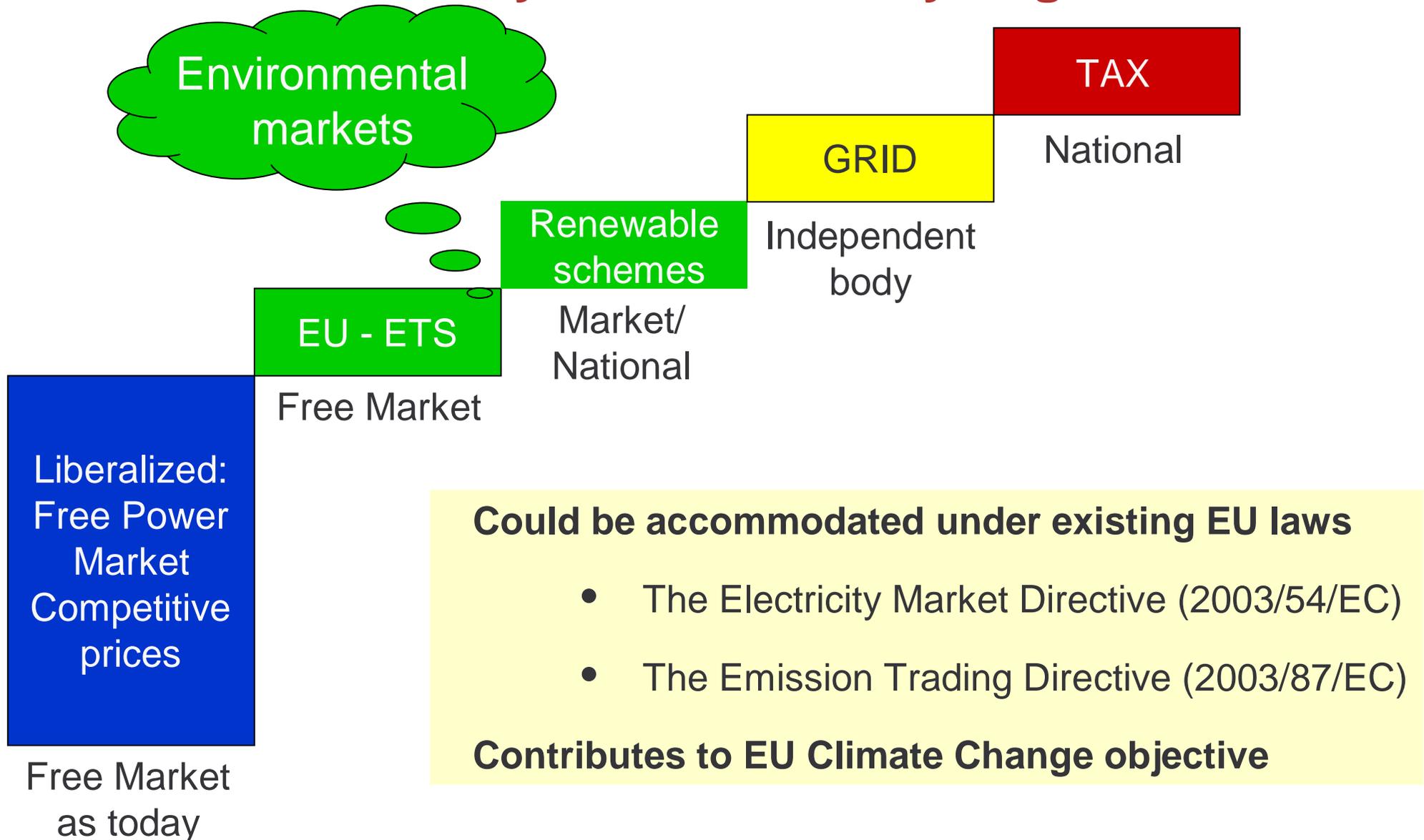
Based on € 10 / Tonne of Co2



Status: Problem now broadly recognized

- **Competitiveness Council March 2004:**
Called for extended impact assessment
- **EU Commission: Catherine Day, DG ENV, Brussels 11th May 04:**
“Nevertheless electricity regulators and policy makers within the EU will have to monitor carefully what happens to power prices after 1st January 2005 and be careful to understand the factors which are influencing price increases”
- **EU Member States: regional / national measures**
Taxation will not be a solution to the problem for endusers
- **Studies now being conducted – focus power Intensive Industry**
International Energy Agency (IEA),
Center for European policy studies (CEPS)

Concept of Transparent power pricingwhat you see is what you get....



Conclusion and reflections.....

- ✓ **Serious effects for all power consumers**
- ✓ **Power intensive industries especially**
- ✓ **An unjustified transfer of wealth to the power sector**

- ✓ **NO environmental benefitson the contrary.....**
- ✓ **Harming seriously European competitiveness**

- ✓ **Monitoring is promised by the European Commission**
- ✓ **When and at what level will monitoring turn to Action?**
The problem is urgent and Real..also in the test period