



VIK Position Paper on the EU climate policy in light of the upcoming UN Climate Change Conference (COP27)

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The German Association of Industrial Energy Consumers (VIK e. V.) supports the Paris Agreement and objectives of the upcoming UN Climate Change Conference COP 27 and would like to use the opportunity to comment on the most critical issues from the view of VIK member-companies.

Energy supply crisis in Europe and industry transformation on the way to climate neutrality

The current fossil energy supply crisis in Europe raises an additional challenge for the member-states and industries on their way to energy transition and decarbonisation along with climate change mitigation goals and achievement of climate neutrality by 2050. In this sense, VIK supports the draft motion for a resolution of the EU-Parliament for the COP27 Conference¹, however energy security, international competitiveness of the European companies and economic citizens welfare must be secured.

Phasing out of fossil fuels subsidies along with a proposal to fully decarbonise the energy sector in G7 countries until 2035 is another challenge, as the energy sector will play a key role in achievement of climate neutrality goals in all sectors. In addition, corresponding concepts of the G7-states at the COP 27 in Egypt should open new opportunities for other countries to participate. A successful industrial transformation requires, in our view, following framework conditions: a realistic time plan, better conditions in the field of the energy security and stable economic environment, affordable energy and carbon prices as well as support for companies for investments in long-term green projects. For energy-intensive industries it is also important to get access to affordable and cost-competitive prices on renewable energy and carbon-neutral fuels;

¹ Motion for a resolution on the 2022 UN Climate Change Conference in Sharm El-Sheikh, Egypt (COP27), [Link](#)

carbon leakage protection instruments should be prolonged. We also support initiatives on the international carbon pricing instruments, new multilateral cooperations on hydrogen and establishment of global markets for green industrial products.

Introduction of the carbon pricing mechanism and support for increasing of carbon reduction targets on the global scale

An effective international cooperation should be the best way to tackle the current climate crisis. In this sense, we welcome the fact that numerous EU trading partners have introduced efficient climate policy tools - carbon trading or other carbon pricing mechanisms, and we support the EU plans to further promote these policies on the global scale, including the Climate Club. Another important aspect is a wide-ranging encouragement for increasing carbon reduction targets in third countries. In doing so, it is essential to propose reliable and practical incentives for third countries on their way to decarbonisation. At the same time, carbon prices must set the right incentives, remain predictable and cost-efficient for the European industry. Governments should strengthen their cooperation to work together to create a regulatory framework to eliminate carbon leakage risks.

Climate Club and necessity of establishing multilateral partnerships for a better climate change mitigation

The VIK supports the initiative of German government and G7 for an establishment of an International Climate Club to advance ambitious climate change mitigation policies towards climate neutrality, transform industries to accelerate decarbonization, and boost international ambition through partnerships and cooperation. We also support initiatives on explicit carbon pricing, the hydrogen action pact and establishing global markets for green industrial products (not only EU-wide markets) as well as financial support for technological transfer in developing countries within the “Just Energy Transition Partnerships”. New multilateral partnerships will also help in exporting the European environmental standards and ensuring a level playing field in trade and investments.

Carbon Border Adjustment Mechanism (CBAM)

The CBAM-introduction has an objective to prevent and prolong a carbon leakage, to ensure a regional carbon price in order to bring forward a global carbon price, thereby contributing to reduction of global carbon emissions. The CBAM targets to be beneficial for countries which implement industry decarbonisation strategies.

In our view, there are several issues which should be considered carefully before the final decision on CBAM introduction in the EU. First, CBAM should be compatible with WTO-Rules and especially with General Agreement on Tariffs and Trade as well as with an Agreement on Subsidies and Countervailing Measures. Second, a CBAM introduction requires a clarification of such aspects as exports inclusion, its implications on supply chains as well as CO₂-Footprint. An agenda proposed for the Climate Club should also be aligned with CBAM: it will allow to reach effective options for carbon leakage protection.

Sustainable Climate Finance

VIK supports efforts of international financial institutions on development of sustainable climate finance to bring about a successful decarbonisation of the global economy. We also support a proposal on the compatibility of financial development aid with Paris Agreement and climate-neutrality goals for developing economies. However, the binding legislative measures on strict taxonomy compatibility for loans and credits (for example, credits given by EIB) or an introduction of requirements on environmental compensation measures for energy-intensive companies should be optimised in the current period due to the continuing energy supply crisis. It will provide a greater flexibility and planning security for European companies to find more cost-effective solutions in the current crisis.

Importance of rainforests for climate change mitigation

VIK recognises the key role of forests in protecting the climate and biodiversity. Efforts of global community on forests recultivation will contribute to mitigation and adaptation to the negative impacts of climate change. Especially we support cooperation mechanisms mentioned in Art.6(2) of Paris Agreement in the light of the recent forest fires in Brazil, Papua and Kongo. We find it also important to highlight the role of negative emissions in tackling climate change. In this sense, businesses may contribute to climate change mitigation globally by supporting reforestation and maintaining existing rainforests; the companies should have thereby certain benefits for their carbon footprint.

Furthermore, due to the IPCC-Reports, holding the 1.5°C temperature scenario limit will require technical innovative solutions to draw CO₂. In this sense, international efforts should also be focused on research and development of economically viable technologies on carbon capture and storage/ carbon capture and utilisation.

Innovative technical solutions

Many industrial processes comprise hard-to-abate greenhouse gas emissions. The mitigation of carbon emissions must be prioritized but sectors with such processes still need Carbon Capture, Usage and Storage (CCU/S) technologies to decarbonize their value-chain. Using CCU/S can also provide a pathway to a circular carbon economy: carbon dioxide is either effectively integrated into usage paths and reused in them, or it is stored and securely bound.

Considering the planned expansion of hydrogen technologies, CCU/S offers an immense potential to propel a fast ramp-up of the hydrogen economy. The contribution of CCU/S is to add significant amounts of blue hydrogen to the market or to be used in Power-to-X applications to synthesize fuels and long-lived products that bind carbon.

In our view, carbon dioxide thus should be perceived as a resource: it can be used as a raw material for hydrogen market ramp-up, as well as in the chemical and food industries. To achieve these goals, all processes must be designed and implemented in such a way that carbon dioxide is not released into the atmosphere, regardless of whether it will be

stored or used by means of CCU/S technologies. In this way, the establishment of a CO₂-cycle can be a decisive component in achieving the climate neutrality.

VIK is the association of industrial energy consumers in Germany. For more than 70 years VIK represents in his role as an industry-wide association the interests of companies from e.g., aluminium, chemicals, glass, paper, steel and cement. VIK advises its members on all energy and energy-related environmental issues.