



VIK-Feedback for the consultation „EU Climate Goal 2040“

16.06.2023

The German association of industrial energy consumers (VIK e.V.) welcomes the opportunity to provide feedback for the public consultation on the EU climate target for 2040.

The achievement of the Climate Goal 2040 should not jeopardise the economic development, investment security and cost-efficiency of the industry in Europe. Climate change mitigation is a global task, therefore, among other measures, it is important to consider the climate ambitions of other countries. In our view, stronger efforts should be undertaken by European climate diplomacy on the global level¹.

VIK underlines that faster expansion of renewables will lead to high costs for electricity and the relevant infrastructure. As a result, inflation will rise, and member-states will be obliged to regulate these side effects. A further increase of energy prices for industrial consumers should be avoided, especially considering a scarcity of alternatives to renewables and low-carbon gases in Europe in the coming decades. To maintain the competitiveness of the existing European industry, the EU Commission should monitor global developments in the low-carbon energy markets and, if necessary, take steps to prevent a prohibitive mismatch of local and global prices.

There is no evidence that low-carbon production processes will become globally competitive and low-priced by 2040. High energy prices could lead to a growing dependency of European industry on government subsidies, which would place additional pressure on the economy already struggling with escalating state debt during a time of high inflation. **Therefore, there is an urgent need for a new system that will harmonise climate change mitigation, including carbon leakage protection, with competitiveness and cost-efficient production in**

¹ Especially considering the recent statistics published by the IEA: currently, energy consumption rates are rising due to a higher deployment of fossil fuels rather than low-carbon energy carriers.

Author: Adelia Rathmann

Der VIK ist registrierter Interessenvertreter
Lobbyregister des Bundes: [R002055](#)
EU-Transparenzregister: [540746447804-05](#)

VIK-Verband der Industriellen Energie- und Kraftwirtschaft e.V.

Leipziger Platz 10 | 10117 Berlin

T: +49 30 212492-0

Vorsitzender des Vorstands: Gilles Le Van

Hauptgeschäftsführer: Christian Seyfert

Registergericht Amtsgericht Charlottenburg:

Registernummer 95 VR38556

UST-ID: DE 119 824 770

info@vik.de | www.vik.de

Europe. Moreover, it is crucial to maintain existing industries including their relevant value chains in Europe, in order to prevent further degradation of energy or resource security and renewed dependencies on geopolitical adversaries. For this, an open-minded approach to decarbonisation pathways will be of vital importance.

Concerning the CBAM, which will start with the reporting phase this year in October, many new regulations require more detailed clarifications. To secure leadership positions for European industry going forward, it is important to establish common market mechanisms for the global GHG-emissions trading system, at least for the G20-countries, as well as allowing international credits applicable for the EU ETS. A phasing-out of free allowances for the CBAM-sectors should take place only when CBAM will provide an equal protection level as already existing instruments, such as free allocations and electricity price compensation. Before the export protection and value chain problems are solved, a further expansion of CBAM should not occur.

Further points:

- The EU climate reduction target 2040 should be compatible with climate target 2050.
- The EU member-states should seriously consider the opportunity to account negative emissions (e.g., forest restoration) within the EU ETS.
- It should be noted that in some cases emission reductions are achieved not due to the implementation of decarbonisation incentives, but because of relocation of the production facilities to third countries and generally on account of reduced production volumes within Europe.
- It is important to recognize that the development of low-carbon technologies is cost-intensive and will need high investments; therefore, the development and deployment of these technologies must be balanced with budget constraints.
- CCU-technologies, complemented by CCS, are extremely important for transformation of energy-intensive industries, especially for "hard to abate sectors" where unavoidable CO₂ process emissions often represent 2/3 of the total CO₂ emissions. To be successful, CCU-technologies should be recognised within the EU-ETS. The operating costs of CCU/S technologies currently exceed the CO₂-costs incurred under the EU-ETS. Therefore, there is not a sufficient economic incentive to deploy the technologies.
- The answer in the survey regarding "Capture of CO₂ from the combustion of fossil-fuel" is to be understood as follows: CCU=yes, CCS=no."

- Question about energy technologies: in the future Germany will need more low-carbon electricity from France; therefore, all options, including nuclear energy, should be considered.
- It is important to bring forward a reliable framework on establishing green leading markets for transformative industry projects in the EU. By doing so, it is essential to consider the whole value chains for low-carbon technologies and focus on the development of the relevant infrastructure.
- Energy efficiency first principle: the argument that less energy consumption leads to fewer costs for ecological transformation and less consumption of natural resources is not always the case. The introduction of innovative technologies at an industrial scale, as well as a shift to low-carbon energy sources, will in many cases increase energy consumption. An increase of renewable energies in the energy mix may require more flexibility from large industrial energy consumers, with a likely negative impact on the energy efficiency of industrial processes. German companies have been reducing their specific energy consumption for decades. The energy savings achieved so far cannot be expected to continue linearly. Energy efficiency potentials are also limited by physical constraints: for every industrial activity, a minimum basic energy requirement exists that cannot be further reduced.

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.