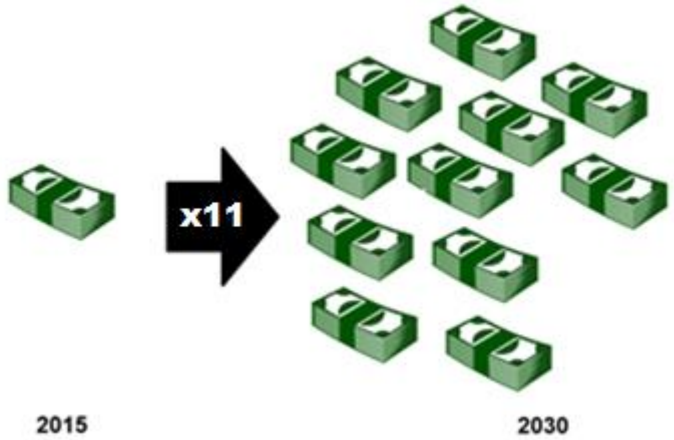
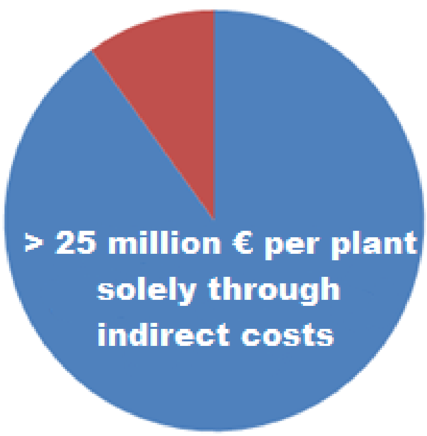
Plant-related carbon costs in phase IV of the EU Emissions Trading System – Factsheet

Critical financial burden for industry:

The **financial burden for the production of heat in the chemical industry would rise by a factor of 11** by 2030.

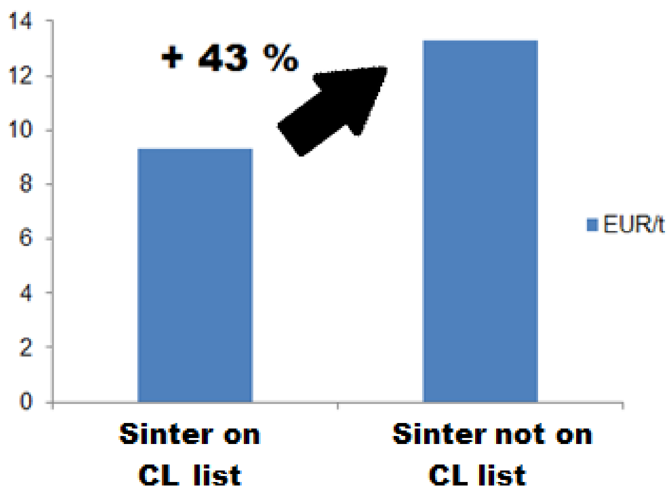


Parameters influencing ETS-related costs for industry:



For several types of installations, state aid for indirect costs is crucial, and even more important than free allocation or direct carbon costs. For example, **in the aluminium industry a single plant could face a rise in costs of up to 25 million euros by 2030**, singularly caused by increasing certificate prices that utilities pass through to electricity prices. Therefore, it is essential that the rules for future state aid are designed in a way that effectively reduces the risk of carbon leakage. If the degressive path is continued, as proposed by the EP, indirect costs will rise even more.

Ensuring the carbon leakage status can be of vital importance for certain products or sectors. For example, **the production of the intermediate product sinter being on the carbon leakage list or not can make a cost-difference of up to 43 % for the production of a ton of steel.**



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The proposal of the European Parliament with an optional 5% top-up offers the largest budget for free allocation of certificates. The flexibilities that have been proposed by the European Parliament and the Council to avoid a cross-sectoral correction factor (CSCF) help reducing this risk significantly. However, a CSCF is still not ruled out completely. Whether it applies depends upon a number of choices regarding the available budget, benchmark updates (real or flatrate), and other factors. The case studies show that the update of efficiency benchmarks is an issue of paramount importance. The updates of the fallback benchmarks, particularly for heat, have significant impacts on a broad number of sectors. Equally important is the minimum update rate for benchmarks, in particular for sectors that increasingly face physical and technological boundaries raising their efficiency. Here, the proposals of the European Parliament and the Council clearly better address the needs of industry than the Commission's proposal.

	COM	EP	Council
Budget for free allocation (share, %)	40.4	44.43	42.4
Budget for free allocation (bn EUA total, 2021-2030)	6.26	6.83	6.57
Minimum benchmark update rates (%, p.a.)	0.5	0.25	0.2
Necessary weighted average benchmark update rate to avoid a cross-sectoral correction factor until 2030 (within the proposed budget) (%, p.a., ca.)	0.6	0.35	0.5
Necessary free allocation share to avoid a cross-sectoral correction factor until 2030 if all benchmarks are updated at the minimum rat (%, ca.)	41.4	45.19	44.8

Energy-intensive industries in Europe:

More than 30,000 companies, employing four million people directly are active in energy-intensive industries in Europe and are put at risk by the proposed revision of the EU ETS. They are at the core of the EU economy and the starting point of multiple value chains, such as the car industry, fuels, buildings, energy production, including renewable energies, food and drinks, and pharmaceuticals. The companies taking part in this study represent 120,000 employees only in Germany.

The profit margin that is already very tight for energy-intensive products in competitive international markets would be eaten up in almost every case by the ETS financial burden in 2030. Hence, **newly-made investments in Europe will be deterred almost entirely in energy-intensive sectors** at that time. Closing down companies in Europe will not only harm Europe's economy and wealth, it will also be disadvantageous for climate protection as Europe's undertakings enable higher environmental standards than international competitors.