EUROPEAN CHEMICAL REGIONS NETWORK

ECRN Joint Position

Position of the ECRN concerning the stakeholder consultation of the European Commission regarding "Action on Climatic Change Post 2012"

28.10.2004, Brussels

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North East South West INTERREG IIIC

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I. The role of the industry in chemical regions

1. The European chemical industry ranks among the most successful, competitive and internationally oriented industries in the European Union. It employs a workforce of more than 1.7 million and has a turnover of more than 500 billion EURO.
2. This sector accounts for about 10% of the process industry in the EU and is the third-largest employer in the EU, making the largest contribution to the EU trade surplus. 96% of companies in this sector, that is, more than 36.000, are small and medium-sized companies.
3. The chemical industry is concentrated in regions throughout Europe and is an important employer and contributor to local economies. It is the activities of these chemical companies that drive the development process and the growth of the SME sector contributing to supporting business value chains with multiplier effect. The European chemical industry therefore plays an extremely significant role at a regional level.
4. The chemical industry belongs to the most energy intensive sectors and is in particular faced with global competition.
5. European climate protection policy is playing a special role, within the scope of representing common interests at the European level. The chemical industry has already proved its leading role regarding climate protection. It is important to note that this sector has already made voluntary commitments to reduce emissions of carbon dioxide and to the widespread use of combined heat and power stations for conserving resources.
6. The European Chemical Region Network wants to foster the sustainable development of these industries and to protect our communities from the consequences of extreme changes in climate. It is from this basis that the European Chemical Regions Network have answered the questions posed in the Stakeholder consultation on the EU's contribution to shaping the future global climate change regime.

7. The Network wishes to provide a sustainable solution that does not see European industry locating to countries operating outside of climate change agreements and at the same time we want to protect our communities from the potential effects of changes in climate.

II. The future development of climate policy

II.1. Is it important for the EU to continue to show leadership on addressing climate change?

8. The consequences of climate change hold no frontiers and can only be effectively tackled with global solutions.
9. The first priority for the EU is to ensure global participation. Any more drastic action after 2012 is only possible within a global approach. For the EU to take a lead on this is highly desirable.
10. Another reason is security of supply. In a fast growing world economy the demand for fossil fuels will most likely continue to grow as well. Ensuring supply from various regions in the world and continuing developments of stimulating higher energy efficiency are important for economic and environmental reasons.
11. The European Chemical Regions Network is of the opinion that although the EU is leading the way in climate protection, this should not result in unilateral action by Europe. The EU must not only maintain a close dialogue with the industrial states but also with the developing and developed countries, at all levels of the international community, in order to achieve a fair sharing of the burden and to ensure the continued attractiveness of locations in Europe.
12. Cooperation with industrial states that have intensive emissions outside the EU must be strengthened, in particular through the coupling of instruments and programmes.
13. Action by individual states or institutions (i.e. the EU) have no effect, when a large share of emissions are released in those states which are not included in a system of climate policy. The desired objective of the climate change framework

convention to stabilise the concentration of greenhouse gases in the atmosphere at an acceptable level can only be achieved by actively involving all emitters of the world community .

II.2. On the basis of the EU's 2ºC long-term objective, what objectives should the EU set for global and EU climate change policy?

14. What is required is a system that is based on the most efficient use of energy and not a system that restricts growth to achieve reductions in greenhouse gas emissions.
15. European chemical regions are concerned that the future programme may be biased towards reduction of production. Any programm needs to concentrate on the efficient use of energy, based on continuingly improving "best available technology not Entailing Excessive Cost" and the use of more sustainable energy sources.
16. From the viewpoint of the chemical regions a successful climate policy can only be achieved in a worldwide setting: "global participation first and setting policies and targets next". Various parties contemplate targets for the EU such as -30% compared to the 1990 emissions. This implies a drastic restructuring of the economy and will require an enormous commitment from all parties concerned.
17. The objective of the EU and its Member States in climate policy, must be based on adequately taking into consideration the possibilities of reduction potentials and the differentiated marginal cost of avoiding emissions that have already been made and on avoiding both the locational disadvantages and competitive distortions internationally.
18. At the moment some of the reductions in greenhouse gases have been achieved through the closure of inefficient industries particularly those in former Eastern block countries and this has compensated for growth of industry in other European countries. Industrial re-conversion programmes aiming at creating new low emissions based alternatives should be fostered.

19. The European Chemical Regions, in addition to the socio-economic and environmental partners, must be integrated as early as possible during the alignment of future climate policy, in order for them to play an active role as a partner in this way when jointly shaping and implementing the climate policy's objectives.
20. At the same time all sectors must be included in the burden sharing. This includes the transport sector and private households. The targets of the EU must be based on what is and will be technically possible taking into account the generally acceptable welfare level. These targets of the EU must be based on supply security, competitiveness and environmental compatibility.

II.3. What type and level of participation should the future climate change regime seek from developed countries and developing countries, what should be the timeframe for such participation and what should the contribution be from the EU and other countries ?

21. The European Chemical Region Network considers that the modest results of reducing emissions by means of the Kyoto process have been neutralised by the strongly increasing demand for energy from the developing and developed countries.
22. Developed and developing countries must work together, as is already happening in the business community, and start on such a mission simultaneously.
23. Therefore it is extremely important that, besides the industrial nations, developing and developed countries must be included in the burden sharing in connection with globally functioning and flexible mechanisms for climate change.
24. No delay or relaxation for developing countries should be allowed. Also because, as pointed out in the consultation paper, current investments in sub-optimal technology will last for 30-40 years.
25. The industrial countries can make an effective contribution to retarding the rise in emissions, by means of transferring the most modern energy-generating

technology, including the associated expertise, to developing countries; not only with conventional technologies but also with regenerative ones.

26. A continued dialogue must show the varied opportunities for technological and economic support to developing countries, as well as building the understanding in developed countries that the generation of emissions must be decoupled from the growing demand for energy.

II.4. Which technological solutions should be allowed or promoted (e.g. renewable energy, nuclear energy, carbon sequestration, carbon capture and storage)?

27. There are constraints on advances in efficient production arising from the nature of the production process, of which many may be capable of being overcome through the introduction of novel process technologies.
28. Technological solutions must firstly be based on efficient usage of energy, through research programmes and incentives to accelerate investment in new energy saving technologies. In particular, hydrogen based technologies are welcome to be fostered with priority both in research and market introduction programmes; this under the progressive action of the Hydrogen-FC Technology Platform promoted by the EC.
29. All countries must act together and must share the same vision. If a global target of stabilisation compared to emissions of 2000 would be agreed, a joint effort is needed with a commitment for considerable resources. Global stabilisation means an absolute decrease in the developed countries.
30. It seems clear that efficiency improvement alone in industrial processes, including the generation of electricity, cannot reduce emissions in absolute terms taking into account that there will be a significant growth of the global population and the global demand of products.
31. More ambitious climate targets need a powerful encouragement of innovation (R&D, stimulation of implementation) and a much more active role of governments provide conditions to make it happen.

32. Renewables will play a vital role, however more focus is needed to learn from the past and current experiences to adapt policies towards more sustainable and efficient solutions. Renewables will, over the next 20 years, be a relatively small part of the solution.
33. The pursuit for breakthrough technologies within industry (process intensification) and for consumers (such as low energy appliances, micro-CHP, heat pumps) must be accelerated. Carbon capture and storage (sequestration) is most likely for a long time to be a cheaper solution than most renewables except probably biomass. Sequestration will also be of utmost importance for security of supply policies, as it will enable a second lifetime for coal. Reserves of coal are substantially larger than reserves of oil and gas. In the long run sources of energy that are based on fossil fuels will still be making a significant contribution to a secure supply of energy.
34. The European Chemical Regions Network considers that the pathways for all technologies must remain open and economically viable solutions have to be pursued. For a successful climate policy it will possibly not be enough to develop "conventional" alternatives such as sun- or wind energy. It is necessary to increase efforts to search for further technical solutions. For this it is necessary to have concentrated basic research, which includes all options. For this reason the efforts for research of the EU have to be more focussed and clear priorities have to be set.
35. The development and utilisation of existing potentials for reducing emissions must be supported by these technologies, whilst bearing in mind the respective resources and rising dependence on imports. Opportunities are also seen in the development into power stations that emit low levels of CO2 or none at all.
36. In the EU until now, contributions to climate protection have been chiefly made in the European Union by the sectors of energy generation and industry. Potentials in other sectors must be developed, because the marginal costs for avoiding emissions have risen considerably in this case.
37. Progress must be made in the development of cleaner transport modes as this is one of the greatest pollutants. Policies should ensure that less damaging means

of transport also become more cost effective, by investing in and maintenance of required infrastructure and through charging policies of the most polluting forms of transport. Simultaneously, the energy efficiency improvement of road transport needs to accelerated.

II.5. Should the future global climate regime maintain the key elements of the Kyoto Protocol, including the Kyoto mechanisms (joint implementation, the clean development mechanism and emissions trading) and what other elements should such a regime contain?

38. The method which was introduced with the Kyoto protocol of arriving at binding agreements about climate protection that are binding on nations, is a visionary concept and should be continued, because the primary responsibility and principal opportunities for action lie at the level of national states. The scope for developing adequate solutions to resolving problems must simultaneously remain at the national level too, if at all possible.
39. The practical success of the Kyoto protocol depends on the fact that all areas and sectors will actively participate in it. Under this condition the emission trading together with Joint Implementation (JI)/Clean Development Mechanism (CDM) can be cost efficient and can have a distributive effect. If however, political implementation requires more bureaucracy and an extensive infrastructure for control, the system will fail.
40. The system should not lead to jeopardising the development of some economies in the favour of others. Climate policies should not lead to shifts of production from certain areas in the world to others where climate targets would be softer to enable economic growth for developing countries. The market as well as the environment concerning climate change acts globally.
41. Climate change policies must provide long-term predictability to ensure financial stability in manufacturing. With a worldwide level playing field, efficiency will then become a catalyst for innovation and renewal of European industry.

II.6. What are the costs of taking further action on climate change, including competitiveness impacts, and how can/should impacts be addressed?

42. A major contribution of the European Union to stabilize global emissions of greenhouse gases in the next 10-20 years requires massive restructuring of the energy systems. Unilateral decisions are therefore inappropriate; they would be detrimental for employment and welfare in the European Union.
43. The only answer is a truly global approach whilst the level playing field for industries is guaranteed. Industry itself must provide the solutions to the climate problem.
44. There is concern from the European Chemical Regions Network that if measures are introduced that are too stringent, European companies will be unable to compete in a global market.
45. Economic efficiency is not only an indispensable principle for climate policy as a whole, but also for the individual measures of climate protection. The economic burden can only be minimised with a cost efficient design of the system. Flexible instruments for climatic protection such as emission trading, Clean Development Mechanism (CDM) and Joint Implementation (JI) can only realize their potential however, if they are introduced and applied worldwide.
46. Binding rules for international trading must be developed as rapidly as possible. Emission trading should operate globally at the source of the emission. The creditability of successes in reducing emissions from projects in developing countries must be organized reliably.
47. Energy is a key factor for the industrial production of goods and services (i.e. transport) and has a direct impact on competitiveness. Only if the competitiveness of European industry can be preserved, can it play its role for environmental protection and social welfare in the future.

II.7. What are the benefits of taking further action on climate change, including avoided damages, competitiveness impacts and ancillary benefits, and how can/should these be encouraged or optimised?

48. The benefits are potentially significant, such as the lowering of weather damages, lower costs by using less fossil fuels and a new impetus for innovation as well as positively influencing policies for security of supply of energy.
49. The influence of climate change, in this context meaning the impact of the greenhouse effect, is however not easy to assess and still under further research.
50. The design of future climate policy must neither lead to the chemical regions in Europe becoming losers in international competition, nor should it be allowed to prevent or severely restrict the chemical industry's future growth. The effects of the objectives and measures of climate policy on these regions must therefore be investigated at the outset.
51. Climate protection policy cannot lead to new distortions of competition and must therefore be based on fair and uniform framework conditions at global level.
52. European markets for electricity and gas must be further liberalised, because of the effect on competitiveness and energy efficiency and contribution to climate protection. Subsidies that distort competition must be driven back further. The instruments of taxation and economic intervention should only be used in those cases where market based mechanisms fail.
53. Climate policy must be targeted in order to make a permanent contribution to lasting development and to strengthen competitiveness, for the purposes of the Lisbon strategy. They must be arranged so that technological innovations are truly promoted and the conservation of resources is speeded up.
54. A truly global approach to environmental measures and improvements in technology should lead to economic advantages. Heavy bureaucratic regulations and the raising of additional taxation can in the end not make a positive contribution.
55. The European Chemical Region Network is committed to leaving an intact environment for our future generations and to safeguarding the competitiveness of the European chemical industry.

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Notes for Editors:

ECRN: The "European Chemical Regions Network" has the objective to exchange experiences about the joint challenges for chemical regions and initiate a mutual learning for the strengthening of the chemical sector. Joint positions on relevant policy issues are developed to raise the regional voice in the European decision making process. The partner regions are Saxony-Anhalt as the coordinator, North Rhine Westphalia and Lower Saxony (GER), Huelva, Asturias and Catalunya (SPA), Lombardia and Piemonte (ITA), North East and North West of England (UK), Limburg (NL), Masovia (PL) and Ida-Viru (EST). Contacts to further chemical regions have been established to enlarge the network and become a stakeholder at European level. The total project budget is 1.639.000 €, 61% of which is funded by the European Union. More details about the ECRN can be found on its website at www.ecrn.net.

INTERREG IIIC is an EU-funded programme that helps Europe's regions form partnerships to work together on common projects. These projects enable regions to share knowledge and experience that will help them develop new solutions to economic, environmental and social challenges. 98 percent of all European Union regions are involved in INTERREG IIIC projects. There are more than 250 INTERREG IIIC projects running involving 2500 local and regional actors from 50 countries; 20 percent of these are from new EU Members. More information on INTERREG IIIC can be found on www.interreg3c.net.