

# **Energy and Climate Change Package (EU ETS)**

## **IMPACT STUDY SUMMARY**

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**SCHP ČR**

**Association of Chemical Industry  
of the Czech Republic**

# SCHP ČR and ETS

- EC launched its Climate-Energy-Package earlier this year – consisting of 4 legislative proposals, incl. Emission Trading System (ETS)
- Target – to achieve a radical reduction of GHG emissions and to initiate a wide international treaty on a global climate protection after 2012
- As a basic tool of ETS, **auctions** of GHG allowances are being considered
- SCHP ČR identifies auctions as significant additional cost burden for chemical, petrochemical, rubber and pharma industry.
- A decision to perform an Impact Study of ETS on implementation of auctions has been undertaken
- Study performed in 06-08/2008

# Impact Study EU ETS

- **10 companies (main emitters) involved**
- **Not only CO<sub>2</sub>, but also N<sub>2</sub>O emissions included**
- **Both – direct and indirect impact of ETS identified**
- **Several scenarios with different price of allowances used**
- **Different approach, i.e. 100% auctioning vs. free allowances based on benchmark considered**
- **Draft of the Study sent to the involved and discussed, remarks and amendments received, implemented**
- **An Action Plan also discussed, approved and started**

# Impact Study Results

- Auction starting 2013 without a transition period = 7.4-15.6 billion CZK (about 300-630 million EUR) costs of purchase of allowances yearly
- Additional costs of the involved companies represent a range of 1.2-2.6 multiple of the current profit
- Even if a transition period taken into consideration – additional cost burden of 5-11 billion CZK (about 250-440 million EUR) which is still 1-2 multiple of profit !
- This means no sources for keeping industry competitive (investments impossible), resulting to liquidation...
- Comparison to the REACH burden – even 20-30 times higher !!!
- Possible consequences: lost of competitiveness of such strategic sector, moving the industry out of the CR, lost of jobs (50.000 directly in the sector, further 150.000 in the downstream users sectors), increase of GHG emissions in third countries

# SCHP ČR and its actions

- **Impact study – strong basis**
- **An action plan focused on national and european common activities essential, time is running fast and the industry is under a huge threat**
- **A more detailed social impact study of the ETS seems to be necessary**
- **Common and coordinated approach of chemical industry urgently needed !!!**

# SCHP ČR

## and its recommendations

- **A broad definition of the sectors exposed to carbon leakage should be inserted immediately into the text to end legal uncertainty and be based on clear criteria  
(Art 10 a)**
- **Sectorial objectives of reduction of emissions (benchmarks) rewarding the better performances with 100% free allowances should be confirmed in the text as the most proportionate measure to meet the objectives of the legislation  
(Art 10 b)**
- **Electricity intensive industries (indirect emitters) should receive an equal treatment, in form of a compensation for their higher energy costs.  
(Art 3)**
- **Cogeneration of heat and power should be encouraged and receive allowances for the production of heat and electricity for their industrial consumption  
(Art 10 a)**
- **Small emitters should be exempted from the bureaucratic burden of ETS (50kt treshold).**

**Thank you for your attention**

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