

# **Position of the European Chemical Regions Network (ECRN) regarding the European Commission's Renewable Energy and Climate Package from 23 January 2008**

At its meeting on 26 March the ECRN General Assembly adopted the following declaration:

1. The European Chemical Region Network (ECRN) welcomes the important proposals of the European Commission on renewable energies and the climate package published on 23 January 2008 with the aim of creating a more coherent energy policy for the 27 Member States after 2012.
2. The Chemical Regions will support this innovative process along the value chain. They have launched an initiative to add a regional dimension to the SusChem-Technology platform in order to provide innovative climate change solutions especially for SMEs.
3. The ECRN generally welcomes the effort of the European Commission to avoid market distortion between companies in different Member States and to take the economic constraints of businesses facing international competition into account by free allocation. The ECRN believes that this is essential.
4. The ECRN, however, underlines the fact that most chemical products and materials result from base organic and inorganic products requiring unavoidable energy intensive thermodynamic processes to yield essential products, such as petrochemicals, agrochemicals, ammonia and chlorine etc.
5. The ECRN stresses that the crucial role of base chemicals in providing new processes and innovative solutions for climate change can only be secured if the chemical industry can maintain their sites in Europe and can improve their competitiveness through further investments.
6. The ECRN therefore calls on the EU's negotiations regarding the KYOTO process, to strive for clear and binding agreements providing industries with the same carbon price signal amongst the countries and regions with the worldwide highest emission rates, to combat climate change beyond 2012. With other regions in the world becoming increasingly interested in climate change issues, it is particularly vital that Europe uses this opportunity to work together with its major partners.
7. The ECRN calls upon the European Commission to maintain specific regulations for free allocations of ETS-allowances for the energy intensive industries, as long as there is no global level playing field based on an international agreement.
8. The ECRN furthermore demands that the decision about the concrete mechanism of this regulation has to be called upon immediately in the proposals of the European Commission.
9. The energy intensive industries and the chemical regions need planning guarantees for upcoming investment decisions so that the rules for a full provision of free allocation allowances for the whole period can already be defined in this directive at this stage. They could however be subject to revision once an international agreement ensures that there are similar additional environmental burdens for the key competitive regions in Europe. The current Commission proposal to review whether the installations are subject to international competition every three years does not provide the necessary planning guarantees.
10. The ECRN supports a free allocation of emission allowances for industrial installations and combined heat & power sites on the basis of benchmarks over the full period.

11. The ECRN sees a particular burden indirectly placed by additional allowance costs on energy-intensive industries, which have to buy naphtha or produce additional energy. The current European Commission proposal does not provide any solution to this problem. Therefore, a special arrangement is necessary to address this issue. For instance, some of the auction revenues could be used to cover indirect certificate costs of energy-intensive facilities
12. The ECRN underlines the fact that the reduction target of 21% for the ETS sectors on the basis of 2005 has a disadvantageous effect on those sites and Member States which have been active in reducing CO2 emissions at a very early stage, and favours the sites and Member States that have increased their emission. Therefore, the year 1990 should be used as a reference period.
13. The ECRN welcomes the designated alternative of being able to exclude small-emitting sites from emission trading. In order to further cut red tape, the threshold value must be raised from 10,000 tons CO2/year to 25,000 tons.
14. The Chemical Regions also agree on the fact that trade restrictions such as import taxes on raw materials or the so-called double-pricing of raw materials that were introduced by several states within the context of the WTO negotiations should be rated as non-compatible with WTO-measures and should consequently be abolished.
15. The Commission's proposal requires a more detailed assessment, the clarification of open questions as well as possible corrections regarding several matters in order to avoid undesirable delocalization of production due to climate protection.

Brussels, 26th of March 2008