**January 2019**

# Public Consultation on the Roadmap and Inception Impact Assessment
## - Euromines Feedback -

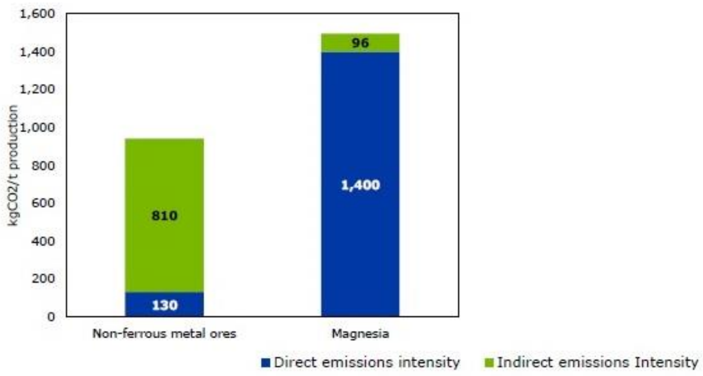
The future of the global energy policies is unpredictable and current efforts to put a price on GHG emissions around the world remain fragmented. Both the coverage and carbon price vary significantly between different regions. In such an asymmetric world, the EU mining sector, competing at international levels mainly on costs is legitimately concerned that the very high level of its indirect emissions costs will undermine the international competitiveness of the EU industry. The electricity cost increases cannot be passed to consumers precisely because the mining and mineral processing companies compete at global level and must maintain cost structures comparable to the ones of their international competitors. This will result in losing market share and profit margins to competitors who do not face similar indirect carbon emissions costs abroad. Ultimately, any carbon-related constraint on the upstream mining sector, the first segment of the integrated product value chain will automatically affect the downstream industries.

Additionally to the international pressure, the EU Member States are free to decide whether to compensate companies for indirect ETS costs and currently 17 out of 28 do not. As a result, different practices across the EU give rise to even more competition distortions across economic actors in Europe.

**Importance of indirect costs reimbursement system for the survival of the European mining industry**

Indirect costs compensation is an essential element for achieving the climate goals, especially for those mining sectors that are particularly exposed to a carbon leakage risk and whose competitiveness cannot be protected by free allocation alone. For example, for several mining sectors/products (iron ore and nonferrous metals ores), the indirect emissions intensities are higher than the direct emissions ones, as per the figure below. For these sectors a free allocation that is based on their direct emissions does not compensate effectively for their costs increase. Instead, an allocation based on their indirect emissions might safeguard their competitiveness and prevent carbon leakage.

Euromines ≡ Avenue de Tervuren 168, box 15 ≡ 1150 Brussels ≡ Belgium
VAT BE 0459 110 403 ≡ e-mail: secretariat@euromines.be
Tel. 0032 2 205 0840 ≡ www.euromines.org




*Source: Ecofys - Towards competitive carbon and graphite and mining sectors in Europe Study (2015)*

It is our strong conviction that the main aim of the *Guidelines on certain State aid measures in the context of the greenhouse gas emission allowance trading system post-2020* should be to safeguard an integrated approach to consistency, stability and predictability while ensuring a cost-effective decarbonisation of the economy with no competition distortions in the internal market along the whole value chain. In this context, Euromines would like to make the following **recommendations**:

## 1. The undertakings/sectors eligibility

The EU ETS provides for an allocation update for each allocation period. This ensures that the latest information regarding the economic situation of the relevant sectors, closures and new entrants are taken into consideration, the fairness principles are applied and competitiveness distortions are avoided.

Therefore, Euromines believes that the best option for determining a sector's eligibility for indirect carbon costs reimbursement would be to apply the principle of equal treatment and **align eligibility for compensation of indirect costs with the eligibility for free allowances**, which is determined by the so-called Carbon Leakage List established by the European Commission as a delegated act. Additionally, more targeted additional criteria could be applied to eligible sectors such as their current exposure to international factors and to indirect ETS costs, as well as their competitiveness protection level provided by free allocation and the fact that the electricity cost increases cannot be passed to consumers.

## 2. The amount of compensation

It should be noted that for several sectors exposed to a significant risk of carbon leakage due to indirect ETS costs the overall energy/electricity input will have to rise in order to meet the greenhouse emissions, energy efficiency, automation and digitization targets. Currently, electrification/automation has proven to be the most direct, effective and efficient way of reaching the decarbonization objectives. However, due to various factors the overall electricity consumption will increase and hence rising electricity costs will damage the European industry's ability to provide at least the baseload demand of EU's downstream industry. At the same time, the creation of higher value and refined products to be able to compete on international markets, access to deeper deposits, additional processing of lower-ore grades and by-products, improved recycling of production residues to satisfy Circular Economy objectives will require a higher energy input.

Therefore, Euromines believes **the compensation of indirect costs should be as high as possible and stable across the entire trading period**, without any degressive factor being applied.

## 3. Incentives of the EU ETS for a cost-effective decarbonisation

Euromines agrees that **indirect costs compensation should be made conditional upon energy efficiency investments**. However, the energy efficiency investments criteria should take into consideration the overall energy efficiency rate along the value chain, the product physical and chemical characteristics, local and regional characteristics as well as the investments in technology aiming at increasing energy efficiency.

Energy intensive sectors exposed to a significant risk of carbon leakage due to indirect ETS costs should not be excluded from accessing indirect cost reimbursement. For the mining sectors this compensation will automatically contribute to the cost-effective decarbonisation of the economy and implementing energy efficiency measures. Reimbursing indirect costs will lead to a proportional if not even higher increase in low-carbon emissions technology investments helping to achieve the necessary standards of environmental protection and climate change targets. Our companies have made major efforts to increase energy efficiency up to the level that technology and physics allow, and they should be allowed to continue to invest in innovative, low-carbon and more resource-efficient processes.

## 4. The electricity mix

Euromines supports keeping the **regional CO2 factors** reflecting the electricity mix in a given region, as already used by the current Guidelines. Of course a uniform CO2 factor at EU level would be the best option but, given the differences and disparities between member states, we believe that would not be very easily applicable, at least not for the 2021-2030 period.

As far as the specific national CO2 factors are concerned, they would be counterproductive because they are not in line with the EU integrated electricity grids and interconnectors.

## 5. The upper limit on the total compensation which can be granted by a given Member State

Euromines supports **keeping a *Maximum State Aid Level Formula* and fully disagrees with introducing an upper limit on the total compensation which can be granted by a given Member State.** We believe that such a dynamic, flexible, volatile system should not include any absolute value caps.

**About Euromines**

**Euromines**, the European Association of Mining Industries, Metal Ores & Industrial Minerals, represents large and small companies and subsidiaries in Europe and in other parts of the world which provide jobs to more than 350,000 people. Through the activities and operations of these members, more than 42 different metals and minerals are produced. Their sustainable exploitation can increase Europe's supply of mineral resources, help ease imports from third countries usually applying lower environmental, corporate and social standards and foster the socio-economic growth of Europe's Regions. Linked to all industries across all supply chain stages, raw materials are essential to numerous industrial sectors covering over 30 million jobs in Europe.

A strong industrial base, securing a reliable fair international and regional playing field and unhindered access to raw materials is of key importance for Europe's prosperity and growth and, in this context, the design of the Guidelines on certain State aid measures in the context of the greenhouse gas emission allowance trading system post-2020 should not undermine the competitiveness of industry.

***

Euromines ≡ Avenue de Tervuren 168, box 15 ≡ 1150 Brussels ≡ Belgium
VAT BE 0459 110 403 ≡ e-mail: secretariat@euromines.be
Tel. 0032 2 205 0840 ≡ www.euromines.org