**JOINT STATEMENT BY THE SOCIAL PARTNERS
OF THE CHEMICAL INDUSTRY**

The European Chemical Employers group (ECEG)

The European Mine, Chemical and Energy Workers Federation (EMCEF)

**ON THE
EUROPEAN UNION EMISSION TRADING SCHEME (EU ETS)**

We, the Social Partners of the chemical industry in Europe, have discussed the European Union's plans for the third phase of the Emissions Trading Scheme (EUETS).

The proposed Directive of the European Parliament and of the Council amending the Emission Trading Scheme (COM (2008) 16 Final) set new objectives of reduction of emission of greenhouse gases from industry for the years 2013-2020 in Europe.

Both ECEG and EMCEF support the EU in their efforts to address climate change and wish to play our part. Ambitious targets are one part of the framework that can lead to a low carbon economy in which the chemical industry will be a key sector. We also support the use of emissions trading as a prime instrument to achieve this environmental aim. Indeed, within the Commission's proposed amendments, we very much welcome the recognition of the need to address competitiveness impacts (carbon leakage), the harmonization of allocations and definitions and inclusion of the principle of excluding small emitters.

However, until there is a truly globally inclusive international agreement, the Commission's proposed legislation should contribute, through effective measures, to the competitiveness of energy intensive industries, including the chemicals industry, and to the protection of the jobs depending thereof.

We believe instead that the proposal:

- Seeks a disproportionate effort from EU ETS participants over other sectors without taking into account actions already taken as well as cost-efficiency. For this reason, the Commission should consider the possible impact of the cost of emission rights on the price of products exposed to international competition, in order to avoid any loss against non EU investments.
- Provides for a general increase in the level of allowance auctioning while leaving the identity and treatment of sectors exposed to carbon leakage uncertain.
- Covers too many small emitters when the environmental benefits of their inclusion are not justified by the associated administrative burdens.

Common position

The Social Partners of the European Chemical Industry:

- Support the objectives of the legislation to address climate change in the framework of the Kyoto Protocol.

- Stress that the reduction effort is spread across all sectors through transparent analyses taken into account actions already taken as well as cost effectiveness

- Recall that the Chemical Industry is an enabler for solutions to address climate change, producing the "building blocks" of numerous products that contribute to energy and emission savings. In addition, the Chemical Industry has made big efforts on investment and technological upgrading, enabling for stronger environmental improvement and industrial leadership.

- Recall also that some of these "building blocks" are however produced by energy intensive sub-sectors of the chemical industry that could not pass on any cost downstream, especially while major producing countries do not apply the Kyoto Protocol in a similar way as the EU.

- Note that the proposal of auctioning of this emission rights will create uncontrolled costs for the energy intensive industries and endanger their competitiveness and is equivalent to a new tax in disguise, accounting from 10 to 35 % of production costs. The cost premium would impact this competitiveness by weakening exports and strengthening the profitability of non EU investments to serve the European market

- In case of compensation measure at EU borders, the complexity of most of value chains prevents efficient protection against competitive distortion for all downstream products

- Conclude that auctioning (unless there is guaranteed and sustained free allocation for enery intensive industries), represents a threat to the EU manufacturing base preventing energy intensive industries from producing the essential chemicals needed to contribute to energy and emission savings

- Note that the legislation does announce specific measures for the energy intensive industries but links them to the conclusions of an international agreement at the Conference of Copenhagen on 5-6 December 2009. The Commission must watch that any international agreement ensures comparable costs against competitors of other regions of the world, in order to avoid the cost of "carbon leakage".

- Regret that the draft legislation does not provide legally certain information about the measures to support energy intensive industries subject to " carbon leakage" (art. 10 b) and only set a limit to June 2011 to end this legal uncertainty.

- Share the concern of all energy intensive industries in Europe and call the Parliament and the Council to clarify their situation earlier than currently planned.

- Propose to the European Parliament and to the Council to confirm immediately an alternative allocation system to auctioning based on European sector benchmarks which, with reference, BPT (best proven technology), set reduction objectives according to the proven technology of these sectors.

- Ask for recognition that the energy intensive industries, including the major basic building block processes (90% of our sector's emissions) of the chemical industry, are at risk from carbon leakage and should receive free allocation of emissions allowances based on benchmarks, throughout the envisaged period. Mitigation measures such as allocation to electrically intensive indirect emitters must be introduced to address the impact on power prices in the EU.

- Propose to address 95 % of the emissions without overburdening 75 % of European companies, especially the small and medium enterprises, by setting the threshold for inclusion in the scheme at 50.000 t CO_2 per year.

To allow our commitment to be more effective and to promote stronger involvement in industrial policy and environmental policy, the European Chemical Industry Social Partners urge the Commission to create a tripartite European body (Administration/Trade Unions/Employers) for dialogue and regular monitoring of Sectoral evolution and contribution to energy policy, both in Europe and at a global level.

The European Social Partners of the chemical sector are following the debate on ETS closely, in particular to examine the social consequences of the proposed directive, and will if necessary come up with other common positions since their opinion as major stakeholders in this debate indeed should be taken into consideration by the EU Commission and the European Parliament and The Council.

Signed in Brussels on 29 September 2008.

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