

CONTRIBUTION TO EU CONSULTATION
ON
'A 2030 FRAMEWORK FOR CLIMATE & ENERGY POLICIES'

Brussels, 1st July 2013

The salt industry welcomes DG Energy's ambition to coordinate climate and energy targets for 2030. We appreciate this opportunity to give our views on the Commission's green paper and herewith advocate for a positive, integrated legislative framework that will enhance Europe's competitiveness promoting further innovation while pursuing the highest standards for environmental protection.

1. Targets

In view of 2030 and longer-term 2050 objectives, the salt industry calls on for realistic, achievable targets be established, which promote an integrated approach of climate and energy challenges. We need to ensure that 2030 targets are compatible and compose a coherent framework that will work towards a sustainable and competitive economy. One of the essential drives of the 2030 framework shall then lie in innovation.

2. Instruments

Policy instruments designed to achieve the aimed targets need to be compatible and be equally applied across the EU. For this reason, the most relevant and cost-effective instruments need to be established at European level for national instruments would only lead to the fragmentation of the Single Market. Besides, these instruments must set a positive framework that provides incentives to business entrepreneurship and investments, rather than discouraging such efforts through penalties.

3. Competitiveness & Security of Supply

Certain projections and expected trends for the years to come point to lesser flexibility, especially with regard to energy prices. The latter largely accounts for industry's competitiveness on the global market, and has greater impact on the minerals sectors. Targets promoting more sustainable energy need not result in raising energy costs, which will inevitably affect industry's production costs.

4. Capacity

An EU approach, e.g. targets and instruments, is necessary in order to guarantee the unity of the internal market. Regarding the effort sharing between Member States, individual strategies aiming to specify further the strategy towards achieving EU objectives is necessary to adapt to particularities.

General

Which lessons from the 2020 framework and the present state of the EU energy system are most important when designing policies for 2030?

The salt industry believes that the 2020 framework followed good ambitions and aimed to answer to well-assessed challenges. Orientations and instruments chosen to reach some of the targets, however, resulted in a constraining, not to say contradictory, legislative environment. We need to frame climate and energy policies in a more positive way.

Industry is an important contributor to policy objectives and has a significant role to play in the EU's ambition for a greener economy. In that view, it is essential that policies are framed in a more positive way, drawing on incentives rather than penalties to foster investments in innovation and low-carbon technologies. As far as the minerals sectors are concerned, there are two issues at stake.

Firstly, access to resources and raw materials is essential not only to the sectors' survival, but to the survival and competitiveness of downstream users. As part of a long value chain, the most relevant downstream user of salt is the chemical industry. Too strict environmental measures that overly restrict access to abundant resources and with little benefit to the environment threatens the good functioning of this value chain, diminishing the industry's competitiveness, its contribution to economic growth, and putting it at risk of carbon leakage. In order to be a competitive economy, Europe needs to keep its industrial diversity and stay innovative. The economy is composed a web of complex value chains that rely on innovation and technology development.

Secondly, policies need to provide better incentives for investments and innovation. Both factors are key to a more sustainable economy and low carbon technologies. Pursuing efforts towards better resource- and energy efficiency requires financial support and long-term planning. In that sense, 2030 framework is a good initiative for it provides the predictability industry needs. In addition, because environmental, economic and energy matters intertwine, the European industry calls on for a better integration of EU policies. This will avoid overlaps and ensure a coherent, workable legislative framework.

1. Targets

Which targets for 2030 would be most effective in driving the objectives of climate and energy policy? At what level should they apply (EU, Member States, or sectorial), and to what extent should they be legally binding?

Targets for 2030 must compose a coherent and workable framework that avoids counteractions and creates additional bottlenecks. From the salt industry's point of view, energy efficiency and emission reduction need to remain utmost priorities, for they will lead to more sustainable activities. The approach to these targets, however, needs to be framed more positively by triggering positive, proactive initiatives from industry. In this view, investments and innovation are essential and require

a favourable and flexible setting rather than a tight, constraining framework.

Legally binding targets may exert additional pressure on industry, thus threatening its capacity to invest into lower carbon technologies. Such targets would not only work against the achievement of a greener economy, but also against economic recovery which is needed at the moment.

Have there been inconsistencies in the current 2020 targets and if so how can the coherence of potential 2030 targets be better ensured?

The drive for greenhouse gas emissions reduction and renewables' target for 2020 have resulted in greater demand for electricity as a clean energy source. This has also led to increased electricity prices, which is the most important cost in the production of minerals such as salt. This trend is not expected to stop in the coming years that will lead to increased production costs on the long term, thus reducing the industry's capacity to invest further in energy and resource efficiency. Besides, taking into account the EU's Biodiversity Strategy to 2020 we see increased constraints weighing on industrial projects. Among the most significant consequences is a restricted access to resources and raw materials.

For this reason, we need an integrated approach that encompass the different policy objectives – energy, environment, resources preservation (water, air, and so on) – in order to avoid overlaps, excessive administrative burdens, and lack of implementation.

Are targets for sub-sectors such as transport, agriculture, industry appropriate and, if so, which ones? For example, is a renewables target necessary for transport, given the targets for CO2 reductions for passenger cars and light commercial vehicles?

The concept of 'sub-sector' here seems quite broad and unclear.

Broadly speaking, specified targets for industry may not be appropriate and constitute a constraint to the industrial activities, especially if legally binding. Should there be any sector-specific target, it should be preceded by an impact assessment analysing the organisation of the sector as well as the feasibility and the impact of such a target. We support that target should follow ambitious policy objectives. They, however, also must take into account the reality of industry and the economic environment in which it is to survive.

Therefore, we insist on the fact that positive incentives directed at innovation and investments are needed.

2. Instruments

Are changes necessary to other policy instruments and how they interact with one another, including between the EU and national levels?

As previously mentioned, we need better integration of EU policies and improved complementarity

of policy instruments. Climate and energy policies also need to take into account established objectives for biodiversity and water preservation, for they might work against one another, or add up and build a very challenging for businesses.

Additionally, instruments need to be consistent on the long term. For instance, the list of carbon leakage under the EU ETS and subsequent free allocations to those sectors recognised at risk of carbon leakage proved to be a good policy instrument. It provided a secure, predictable environment giving enough confidence to those industries in carry on with and investing in projects aiming at better efficiency and lower carbon emissions. Still, with the ongoing revision and the possibility that many sectors may drop off the list, this predictability risks being taken away, hence threatening the viability of such projects.

How should specific measures at the EU and national level best be defined to optimise cost-efficiency of meeting climate and energy objectives?

We need to ensure a harmonised framework at EU level and equal application of climate and energy policies across the EU. The more consistent and practical EU policies, the less risk of specific national policies/objectives. A re-nationalisation of those policies would inevitably damage the Single Market and create unlevelled playing field in-between Member States. This was already observed with the EU ETS and the debate on ‘backloading’. Indeed, some Member States, namely the United Kingdom, unilaterally decided on a carbon price floor and a national ‘carbon commitment’ that adds to the EU system.

3. Competitiveness and Security of Supply

Which elements of the framework for climate and energy policies could be strengthened to better promote job creation, growth and competitiveness?

The salt industry believes that all elements of the framework derive from and relate to a common requirement: innovation. The latter need to be a prominent part of the 2030 framework. Innovation has been the cornerstone of all industrial and economic revolutions. The path to greener economy is no exception. Promoting and allowing industries to invest in target-oriented innovation (i.e. innovation low-carbon technologies, renewables) can contribute to all targets (GHG emissions reduction, renewables, and energy savings). Innovation requires an educated and skilled workforce (‘skilled’ here is intended in the large sense of the word that includes technical as well as intellectual skills). Innovation, and its correlated impact on jobs, growth and competitiveness, is the means to climate and energy objectives.

What evidence is there for carbon leakage under the current framework and can this be quantified? How could this problem be addressed in the 2030 framework?

Evidence for carbon leakage under the 2020 framework results from under-estimated results of

certain policies combined to an unfavourable economic context. Measures aiming at CO2 reduction have led to increased demand for electricity as 'clean' energy source. In consequence, electricity prices have significantly increased and will steadily pursue that trend in the future. In addition to the auctioning system, this means increased energy, and therefore production, costs for industry. These costs are reflected in lesser profits and capacity to invest. If the EU ETS objective was to foster investments in low-carbon technologies and energy efficiency, the indirect costs of the system have neutralised the initial objective. This problem will only get worse should the carbon leakage list be reduced based on political considerations, rather than objective impact assessments.

The increased energy cost on its own, and more difficult access to resources (e.g. raw materials) due to more and more stringent environmental measures provide for additional grounds for carbon leakage in the years to come.

How should uncertainty about efforts and the level of commitments that other developed countries and economically important developing nations will make in the on-going international negotiations be taken into account?

The EU needs to take other countries' commitments into account while setting its own targets. Notwithstanding EU's ambitions to play a leading role in climate policies at international level, she must assess the impact these ambitions will have on its economy and competitiveness. If those ambitions are too far ahead compared to other countries, it will damage its economic capital, hence its position as an economic actor on the global stage, and fail to achieve the policies objectives. Consequently, the EU needs to identify the critical point from which its objectives become prejudicial to its competitiveness taking into account others' commitments. Failing to do so will threaten further the level playing field internationally.

How can the EU increase the innovation capacity of manufacturing industry? Is there a role for the revenues from the auctioning of allowances?

Predictability is essential to innovation. A first step to levy the innovation capacity of manufacturing industry is to ensure a consistent, long-term policy framework. Furthermore, this framework needs to put the stress on incentives rather than constraints and taxation. One must make room for industrial investments and allow industry to benefit from those investments. Indeed, the period following the investment is crucial for the viability of any industrial projects. Therefore, policies must not be short-sighted and need to look at the average lifetime of industrial projects in order to be effective and guarantee the predictability that business needs.

4. Capacity

How should the new framework ensure an equitable distribution of effort among Member States? What concrete steps can be taken to reflect their different abilities to implement climate and energy

measures?

The salt industry supports an EU framework in order to ensure the most harmonised approach to climate and energy policies. It is clear that the same efforts cannot be asked to all countries depending on many factors (including the size of their economy, the availability of resources, the energy mix, and so on). Countries could be asked to establish a national guideline in order to specify further a nationally adapted strategy in order to achieve EU policy objectives.

EuSalt is the non-profit organisation representing the common interests of salt producers located across Europe. As the voice of the salt industry, our aim is to create an interactive platform and facilitate information exchange between the industry and European and international stakeholders.
