

EuSalt Position on the revision of State Aid Rules for environmental protection in relation to financial compensation under ETS for indirect CO₂-costs passed on in electricity prices.

Brussels, 12.09.2011

1. Keeping the salt sector energy-innovative while enhancing equal treatment

The salt sector should be eligible for financial compensations for indirect CO₂ costs passed on in electricity prices. Electrically powered salt plants and steam-powered vacuum salt plants should stay equally competitive in order to fully embed future sustainable energy technologies in the sector. At the same time major distortion of competition within the salt sector as well as between European and global salt producers should be avoided. We fully support the amended guidelines to allow fair, well established compensations and not to lead to over- or under-compensation.

2. Financial compensation applicable for the entire sector at risk of carbon leakage

In order to remain coherent with European legislation and to ensure fair and equal treatment of different salt production methods, the entire sector being recognized by the European Commission to be at risk of carbon leakage should be entitled to receive financial compensation.

3. Need for coherence between European and national levels

The concern is that differences between European and national scales will lead to distortions inside the Single Market as well as towards international competitors. Therefore, EuSalt pleads for coherence between European measures and support to sectors at risk of carbon leakage, on the one hand; and national financial compensation for electricity prices, on the other hand. Coherence between compensation facilities on national levels mutually is crucial in order to prevent distortions in the European single market.

4. Impossible to set benchmarks for the salt sector to calculate the level of compensation

The calculation of compensations in accordance with the ETS Directive should be based on a benchmark measuring the efficiency of electricity consumption. However, an electricity consumption benchmark is not applicable for the salt industry, given to the diverging processes, based on either steam or electricity.

1. Keeping the salt sector energy-innovative while enhancing equal treatment

On May 19th, 2011, the salt industry was officially added to the EU list of sectors recognized at risk of carbon leakage and therefore is entitled to a certain extent to free allocations for CO₂ emissions. As a consequence and so to remain consistent, financial compensations for CO₂ costs passed on in electricity prices shall be based on the “carbon leakage” list. This would ensure fair and equal treatment of both direct and indirect costs.

While setting up the “carbon leakage” list, the indirect costs of the ETS system were taken into account as well as the direct costs. Such an approach would contribute to avoid any discrimination of electrically powered salt plants (such as MVR-salt works, mines) compared with steam-powered vacuum salt plants. Electrically powered salt plants and steam-powered vacuum salt plants should stay equally competitive in order to fully embed future developments in renewable energy technologies and energy efficiency improvements.

The absence of financial compensation would result in major distortion of competition within the salt sector as well as between European and global salt producers as higher electricity prices would impact the production costs and the price of salt.

Moreover, salt (sodium chloride) is at the very beginning of a long chain of chemical transformations and is intensively used by the chemical industry as basic raw material in the production of many substances, among which, and in priority, chlorine and soda ash. These subsequent businesses (like chlor/alkali) might be electricity intensive. It is then highly important not to reinforce the risk of carbon leakage for the entire value chain by passing on indirect electricity costs.

Therefore the salt sector should be eligible for financial compensations for indirect CO₂ costs passed on in electricity prices. We support the requirement for the amended guidelines to allow fair, well established compensations and not to lead to over- or under-compensation.

2. Financial compensation applicable for the entire sector at risk of carbon leakage

There are various ways to produce salt (sodium chloride): the exploitation of solar salt ponds, rock salt mining and solution mining. Each of the three processes requires different, specific technologies and important investments. The choice between the different types of production of salt derives from a variety of limiting factors (climatic and geological conditions, the available raw material (brine, rock salt and sea salt), the possible supply with energy and water, the markets' demand regarding the quality and the purity of salt, logistic infrastructures). These factors lead to choosing different techniques to extract salt. For instance, the extraction of rock salt takes place in mines through “blasting and cutting”

or through “continuous mining” depending on the geological conditions. On the other hand, due to climatic conditions, solar salt can only be produced in Southern Europe directly from seawater in evaporation basins. Finally, the production of high purity salt through solution mining requires energy intensive production technologies. The latter production process may evaporate the brine resorting to the “multiple-effect evaporation” (MEE), mainly using steam, or to the “mechanical vapor recompression” (MVR), which results in the evaporation of the brine through a heat pump and almost exclusively requires electricity. The combination of both above-mentioned technologies (MEE and MVR) can also be used. Also recrystallization of rock salt can likewise be obtained through MEE or by using MVR.

Because of the limiting factors it is neither possible to shift production method from MEE to MVR or the other way around, nor to change the energy mix used in the production facility. Investments in highly energy efficient technologies in the last few years have led to processes running at thermodynamic optimum. It is important to maintain both options in a fair competition as to foster future developments in renewable energy technologies and energy efficiency developments in the heat and/or electricity production, or in the salt process itself.

All these methods produce, although chemically the same salt, a salt with diverging physical characteristics and properties linked to the diverging requirements for the different applications. Consequently, the salt sector turns out to be very complex. This complexity should be recognized and dealt with accordingly.

3. Need for coherence between European and national levels

The European Union has defined the need to lead the way for environmental protection as a priority to its international policy. This universal goal, to which the ETS Directive answers by restricting industrial CO₂ emissions, had to be counterbalanced by European measures to maintain a competitive industry in Europe. In respect to both principles, the EU foresaw the concept of “carbon leakage” and provided free allocations for those sectors recognized to be at risk of carbon leakage.

As a responsible stakeholder, the salt industry is very supportive to European environmental initiatives and is already committed to ensure a reduced environmental impact of its industrial processes. Indirect costs, linked to CO₂ emissions, will negatively impact sectors recognized at risk of carbon leakage including the salt sector. In amending the guidelines for state aid rules for environmental protection, the European policymakers provided a draft framework, which shall enable compensation for these indirect costs. And yet, direct and indirect costs of ETS will be dealt with at two different levels paving the way for potential distortions and/or inequalities. The salt industry pleads for consistence and fair treatment between European and national levels, and consequently between the

ways direct and indirect costs are dealt with. The European framework should avoid inequalities in the compensation facility between member states as well, again for securing a level playing field in Europe.

4. Level of compensation

The calculation of compensations in accordance with the ETS Directive should be based on a benchmark measuring the efficient electricity consumption. However, an electricity benchmark could hardly be applied to the salt industry. If we were to consider the salt sector as a whole for financial compensation, it would be impossible to set up a relevant electricity benchmark given the diverging production processes and the impossibility to compare one to another. Furthermore, it is not possible to shift production methods from one to another technology, neither to change the energy mix used in a production facility. This is not reflected in any NACE or Prodcom codes. Thus an in-depth analysis of the sector providing a correct identification of the electricity intensive installations entitled to financial compensations is necessary. Compensation would focus on additional costs of electricity efficiently used.

EuSalt is a non-profit organization representing the common interests of salt producers located across Europe. The production of salt in Europe is estimated at 68 million Tonnes, which represents nearly a third of the worldwide production. The vast majority of the salt produced is dedicated as primary source material in the production of many chemical industrial applications of which the production of Chlorine and Soda Ash are the largest applications.

