



Meeting with cabinet members of
Commissioner Frans Timmermans
2020.11.09

Steinar Solheim, President IFIEC Europe
Michiel Cornelissen, Chair Working Party Green Deal
Jean-Philippe Perrot, Rapporteur Working Green Deal

IFIEC Europe

– representing interests of all energy intensive industrial sectors –

IFIEC Europe represents industrial energy users for whom energy is a key factor of global competitiveness.



- Non profit organisation, established in 1989
- Premises in Brussels
- Representing 13 national industrial European associations.

Active stakeholder in the european energy market and climate debate, e.g.:

- Florence Electricity Forum
- Madrid Regulatory Gas Forum
- Gas Coordination Group
- Gas Advisory Council EU – Russia
- European Energy Forum
- Climate Change Expert Group (DG Clima)
- Alliance of Energy Intensive Industries

IFIEC Europe's Working Party Green Deal

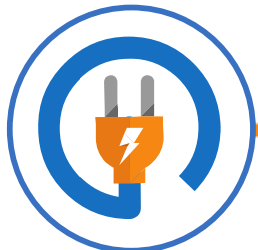
Working Party Gas

Working Party Electricity

Working Party Climate and Efficiency

| WP Green Deal | Topic Champions WP Green Deal |
|-------------------------------|---------------------------------------|
| 1. Ambition Level | Inez Treffers, Els Brouwers |
| 2. Carbon Pricing | Annette Bollmann, Brigitta Huckestein |
| 3. Industry strategy | Giuseppe Pastorino |
| 4. Energy Taxation | Jean-Philippe Perrot, Els Brouwers |
| 5. EEAG Revision | Immavera Sardone, Antonis Kontoleon |
| 6. GHG Accounting & Reporting | Els Brouwers, Michiel Cornelissen |
| 7. Sustainable Financing | Ute Just |

EU 2030 and 2050 targets require coherent EU industry and energy policy



Carbon Neutral Energy



How much more energy is needed
"when and where":
removal conflicting policies



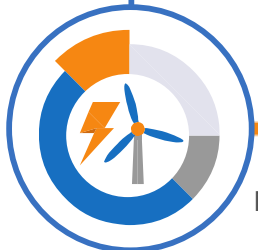
Innovation and support



Competitiveness safeguard by
optimal flex and cost allocation,
affordable for end-consumer



Financial support and
development time for
breakthrough or immature
technologies



Efficient Markets



New infrastructure
requirements and
impact on consumers



Optimal mix
Electrons and
Molecules



CCS and CCU
regulatory barrier
removal

CARBON NEUTRAL FUTURE

EU Industrial Strategy

IFIEC welcomes the Commission initiative for a **New Industrial Strategy for Europe** and strongly supports the ambition for **competitiveness and carbon neutrality** of EU industry.

Following are the **fundamentals of EU's industrial transformation**, essential for healthy and innovative EU industry:

1. Global level playing field
2. Single and integrated market
3. Supporting industry towards innovation and carbon neutrality
4. Emissions reduction through real energy efficiency and a secure and sufficient supply of low-carbon energy at competitive prices
5. Partnership approach of industrial alliances

Following needs to be addressed

1. Introducing in the Strategy specific and measurable **targets** (i.e. % of EU GDP)
2. Reinforcing the pillar of industrial **competitiveness** with at least the same priority level as green and digital transition: Ensuring a **global level playing field**
3. Ensuring **consistency** with other EU Green Deal policies and targets
4. Strengthening **EU-funding to support disruptive, non-linear innovations** in the energy intensive sectors
5. **Open and inclusive dialogue** with Industrial Sectors in Strategy definition and implementation

Carbon pricing and carbon leakage safeguards

The EU plans for more ambitious CO₂ emission targets to **protect the climate**. This will increase the risk of carbon leakage. IFIEC generally welcomes all EU initiatives to **improve carbon leakage safeguards** for the European industry, so that the intended climate protection effect can materialize.

Global competitiveness of EU industries needs to be ensured enabling the required industrial transformation, even during the COVID-19 crisis. For a long-term strategy that enables industrial transformation and global competitiveness, **following needs to be addressed:**

- 1. Existing measures must be continued:** EU ETS free allowances and indirect cost compensation are vital to provide a global level playing field especially with the higher climate ambition;
- 2. Address adequately Carbon Border Adjustment Mechanism (CBAM) concerns** such as WTO compatibility, carbon footprint assessment, certification and verification system, risk of protectionism escalation and export refunds;
- 3. Alternative methods need to be assessed** that will provide carbon leakage safeguard and support the industrial transformation: Different instruments such as, e.g., CO₂ consumption charges and CCfD/CfD must be considered.

EEAG revision

The EEAG is key to support industrial transformation towards a climate neutral economy.

The revision must create the right framework for European energy intensive industries to remain competitive vis-à-vis main global competitors.

Following needs to be addressed:

- 1. Compensate extra costs:** Extra costs resulting from the EU Green Deal and higher climate ambition, which are not faced by non-European competitors, need to be fully compensated by adequate schemes.
- 2. Ensure global competitiveness:** Address EU's global competitiveness, not only internal market distortion
- 3. Give long-term certainty:** Provide long-term certainty to make investments more attractive
- 4. Maintain current RES support:** Maintain and strengthen current reduction/ exemption from renewables support
- 5. Allow hardship regimes:** Allow for adequate hardship regimes, cost limits and specific measures for most exposed
- 6. Support all low carbon tech:** Consider broad range of low carbon tech, not only CCS

Revision of the Energy Efficiency Directive

IFIEC agrees that an efficient use of energy can contribute to an improved GHG efficiency and help to achieve the European Green Deal targets.

Following needs to be addressed:

1. Avoid capping of energy consumption; focus on efficiency

Improving energy efficiency does not mean absolute reduction of energy consumption, but a reduction of energy consumed per output

2. Avoid conflicting regulations

Switching from fossil fuels to renewable fuels will reduce energy efficiency
Intermittency of renewable energies may require more flexibility from industrial processes that might be not operate with the highest efficiency 100 % of the time

3. Stimulate sector integration

Industrial waste heat from networks, if still available after the transition towards CO₂-free processes, can be recovered and used for heating buildings but requires tremendous investment in connecting infrastructure

Revision of Energy Taxation Directive

The new Energy Taxation Directive should not create any additional tax burdens for activities subject to a risk of carbon leakage

Before its adoption a comprehensive impact assessment should be performed to ensure that the competitiveness of the European industry is not harmed

Following needs to be addressed:

- 1. Avoid competition distortions**
- 2. Remain focussed on energy**
3. Introduction of a **taxation component based on carbon must be done in a separate instrument** to avoid overlapping with EU ETS and double taxation
4. Introduce maximum taxation levels that take into account **international competitiveness**
- 5. Treat equally outsourced and internalised activities**
- 6. Exempt non-avoidable energy and recognise high efficiency processes** like cogeneration

Revision of EU ETS – based on impact assessment 2030 target

Following needs to be addressed:

1. Separate ETS for other sectors

Building and transport sector have different characteristics (carbon leakage risk, timeframe investments cycles, price elasticity, availability alternatives)

- Impact on CO₂ price and competitiveness industry?
- separate ETS is preferred



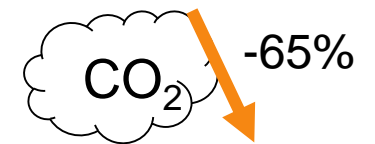
2. Increasing target to 65% requires acknowledgement of transition pace and competitiveness safeguards

Huge effort expected ETS versus non-ETS (-39%)

Impact on competitiveness industry not fully assessed

Based on abatement potential industry leading to decrease in final energy demand industry by 2030 and 2050 while different studies show an increased or stable energy demand for industries

- Highest effort before 2030 while for industry most technologies are expected to be deployable after 2030
- Concerns on impact competitiveness industry: Need for adequate carbon and investment leakage protection for importing and exporting sectors



GHG Accounting & Reporting

Ensure a consistent accounting framework following international guidelines that supports implementation of new low carbon technologies.

Following needs to be addressed:

1. Robust greenhouse gas accounting leads to innovation

Avoided emissions by CCU materials and CCU fuels are currently not recognised in MRR which leads to double counting of emissions

No credits are given in case of CCS of biogenic CO₂



2. Avoid different approach biofuels ETS and non-ETS

Making zero rating biomass in ETS depend on GHG saving criteria is not in line with IPCC and not required in non-ETS

Use overarching sustainability standards for consumption to avoid market distortions and erosion of correct GHG accounting



3. Maintain technology neutrality when incentivising production H2

Hydrogen strategy wants to incentivise production of renewable and low carbon hydrogen in forthcoming revision ETS: No technology specific criteria/restrictions ETS

As for electrification, avoid origin requirements on hydrogen consumption to avoid hampering new applications and market development



Competitive hydrogen in Europe

Production and usage of hydrogen:

- The **cost of hydrogen is too high** compared with other energy carriers. The move from conventional energy to hydrogen in industry will require substantial financial support.
- Green hydrogen is more attractive than blue hydrogen, but **CCS should also be considered** in order to reduce CO₂ emissions.
- When the consumption of hydrogen starts to accelerate, regulators and competition authorities have to make sure that hydrogen market is subject to a **sufficient** degree of competition.

Two ways to transport hydrogen:

1. **Inject hydrogen into natural gas grids.** H₂ injection in natural gas grids causes severe problems for use of gas as feedstock, but also as energy source.
2. **Dedicated hydrogen infrastructure.** To make this commercially feasible, it needs large consumption of hydrogen within a limited area.

Competitive hydrogen in Europe

Imports of hydrogen:

- EU will not be self-sufficient regarding energy supply. **Importing cost efficient hydrogen** will be part of the energy mix in EU.
- EU should establish **partnerships with third countries outside the EU** and find the right economic balance between hydrogen production within EU and energy dependency.
- When hydrogen is imported, besides production and transportation costs, also **GHG emissions** should be taken into consideration.