



Why do we need changes in the current EU ETS system?

13th May 2015, Brussels

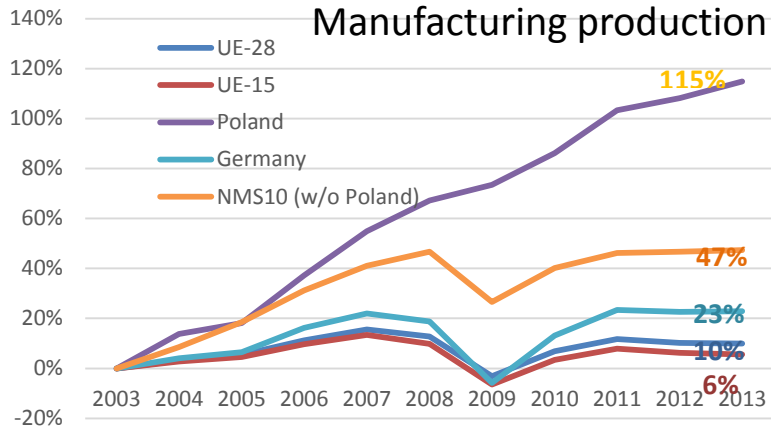
Do we need changes in the current EU ETS system?

Only if we want Europe:

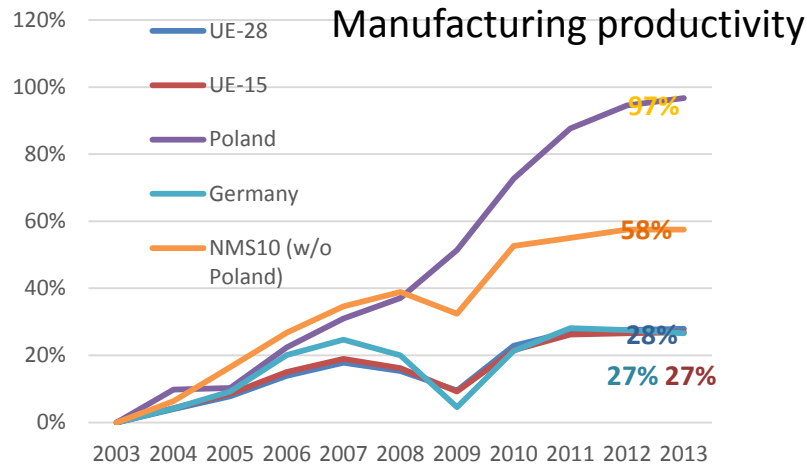
- ✓ „ Boosting job, growth and investment: *industry's weight in the EU's GDP back to 20%*
- ✓ *Secure affordable and climate-friendly energy for citizens and businesses”*

President Jean-Claude Juncker, July 2014

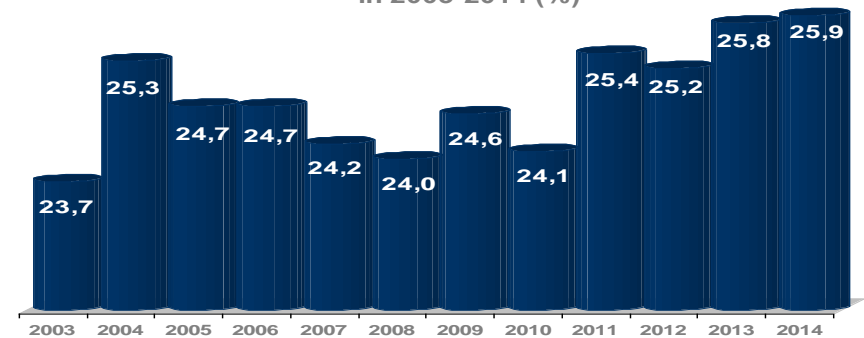
Poland's industry is contributing starting 2004



- Industry – 25% of GVA
- Constant growth of:
 - GDP
 - Production
 - Productivity
- Successful decoupling
 - 2,5-fold increase in GDP and a reduction of nearly 30% in GHG emissions

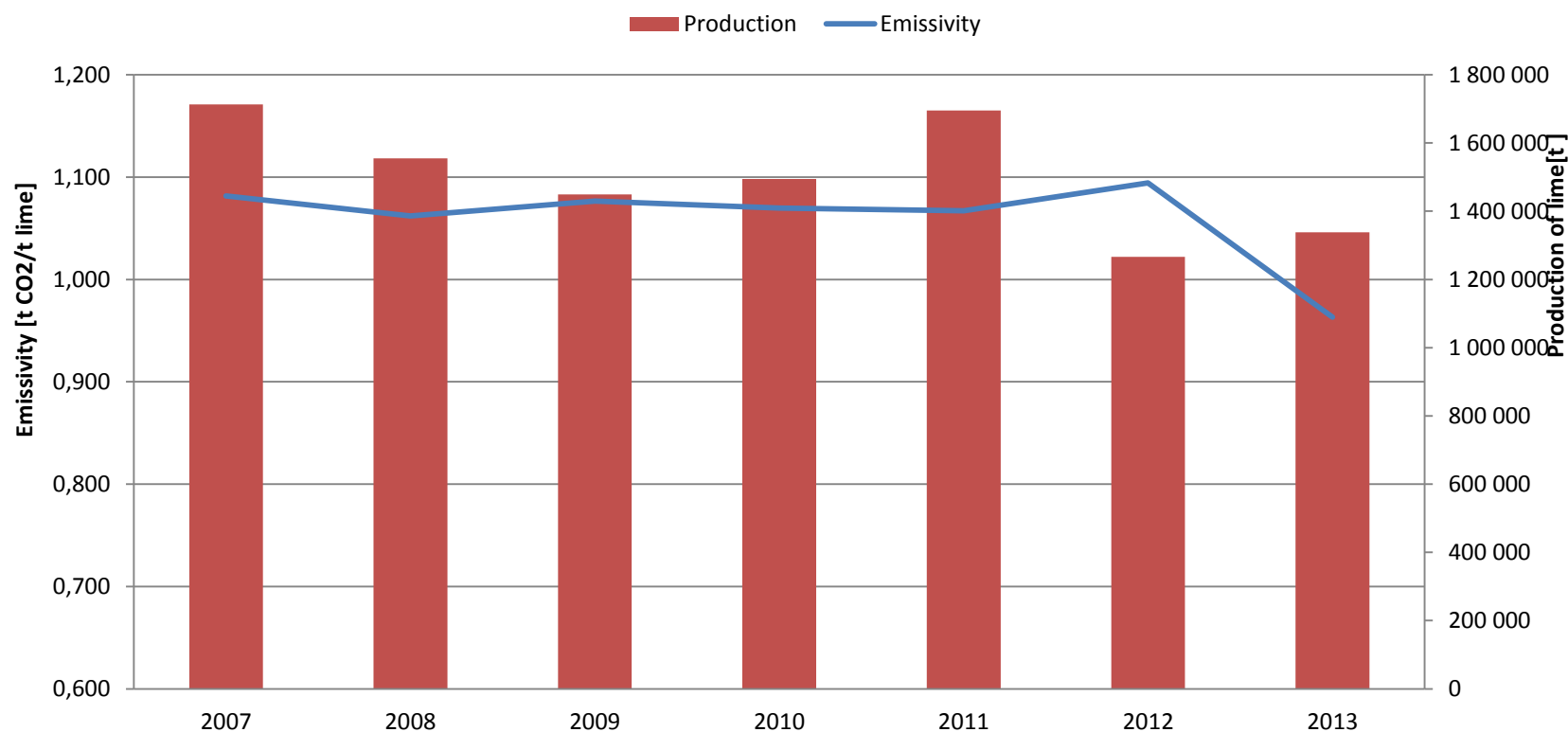


Share of industry in gross value added in 2003-2014 (%)



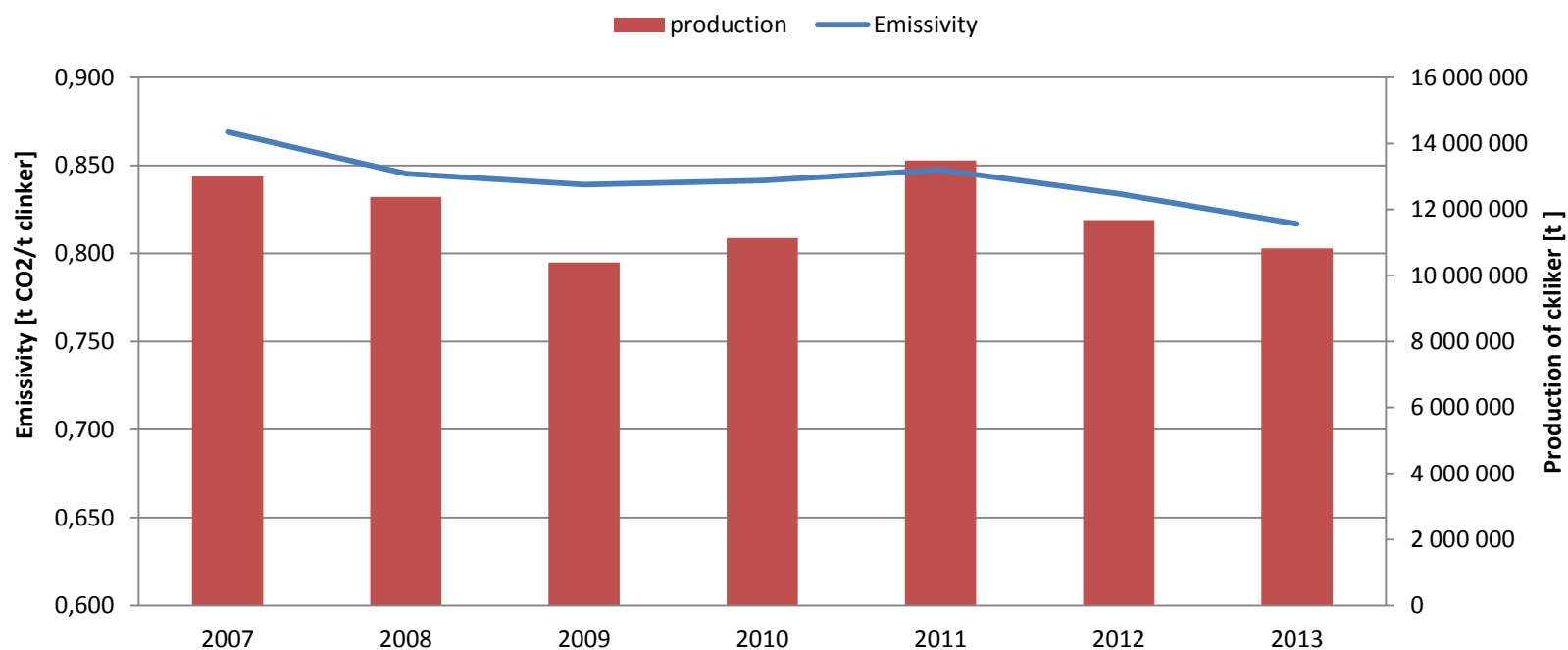
Some sectors are doing even better: lime

Production and emission factor per production unit in Polish lime industry



Some sectors are doing even better: cement

Production and emission factor per production unit in Polish cement industry



Is EU ETS incentivizing further growth ?

Cement - unrealistic BM

- European average emission (251 cement plants)
868 kg CO₂/ton clinker (biomas content ~6 – 7%)
- **POLAND = 839 kg CO₂/ton clinker**
- Benchmark based on empirical measurement (251 plants)
10% plants with lowest emission =
– **766 kg CO₂/ton clinker (biomas content ≥ 25%)**
- **CSCF adopted by EC, Sep.2013 = (–)11,58%) →**
Benchmark after CSCF = 677 kgCO₂/t clinker

Is EU ETS incentivizing further growth ?

Cement – shortage of free allowances

Emission factor CEMENT – Poland 2013

= 839 kgCO₂/t clinker

= 626 kgCO₂/t cement

Benchmark EU after CSCF = 677 kgCO₂/t clinker

CO2 allocation in 2013-2020 with CSRF is 8,6 mln ton CO2/year

With production about 17 mln tonnes/year –

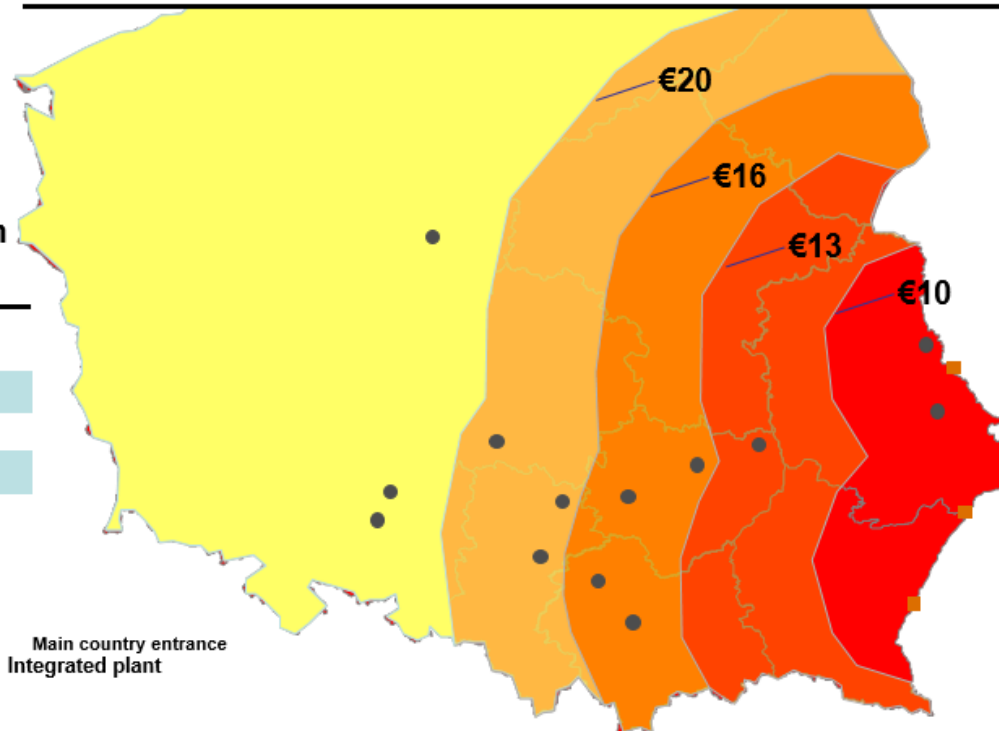
- Annual shortage is over 3 mln tonnes of CO2 allowances/year

Is EU ETS incentivizing further growth ?

~100% of clinker production at risk with a CO₂ price of €23/t
 0% free allowances allocated

Isolines¹ of production at risk for different CO₂ prices based on inland transportation costs in Poland from Ukraine

CO ₂ prices (€/t)	Distance (km) from border to <u>isoline</u>	% of total clinker production at risk
10	150	15
13	250	23
16	350	54
20	450	77
23	550	100



1. For clinker from Ukraine

Note: Clinker production by plant estimated as average being a confidential information; Distance from the plant in Ukraine to main entrances is 50 km

Source: Cembureau; Polish Cement Association

Source: Polish Cement Association

Conclusions

- **EU ETS does not incentivise growth:** companies do not receive additional allowances with production increase;
- When **CSCF** applied, the benchmarks became unrealistic → even the most CO2 efficient installations do not receive 100% free allowances which **hampers competitiveness of the EU companies;**



- **Poor investment climate for industry;**
- **→ EU is losing employment opportunities**

Conclusions

We do need changes in the current EU ETS system

- ✓ *„ To grow again: industry’s weight in the EU’s GDP back to 20%*
- ✓ *Create new jobs*
- ✓ *Secure affordable and climate-friendly energy for citizens and businesses”*



Thank you!

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