

5th February 2021

Public consultation

Amendment of the EU Emissions Trading System (ETS)

-Euromines Position -

As the recognized representative of the European mineral raw materials industry, covering more than 42 different metals and minerals and employing 350.000 directly and about four times as many indirectly, the first segment of most strategic value chains and a critical supplier of materials vital for a transition to a low-carbon society, Euromines welcomes a European Green Deal and is prepared to take the necessary measures to make Europe the world's first climate neutral continent.

The Emission Trading System is one of the most important legal pillars and support systems for the European energy intensive industries. Therefore, any amendment brought to it or any of its subsequent acts in the light of the proposed increased climate ambition for 2030 should be based on a stable, consistent, coherent, socio-economically feasible policy framework, allowing the implementation of the most efficient measures to reduce greenhouse gas emissions while ensuring that long-time goals and the international competitiveness of the industry are not endangered.

Considering the above, Euromines would like to make the following comments with regards to the specific objectives and assessed options for this initiative:

1. Contribution to the 55% GHG reduction ambition target

The 55% climate change target should be a joint effort goal. All European economic and social sectors should contribute, proportionately to their individual reduction potential. Even though until now the EU ETS sectors have contributed proportionately much more to the overall EU reduction target than non-ETS sectors, for a sustainable transition towards the 55% GHG reduction target, the entire European economy and society will need to contribute to deliver on the increased climate ambition. The additional effort, due to increasing the 2030 target, must not lead to the current ETS sectors being forced to contribute disproportionately more than others. Assessing and ensuring compliance with an updated target requires multiple actors, the European policymakers as well as the entire society along the entire value chain to act simultaneously towards the same objective. Using a value chain approach would make it easier to boost the contribution of existing economic activities, but also to create and develop new and more efficient low-carbon activities, through the introduction of new materials and investments.

2. Mix of policy options

Although decarbonization plans and investments have already been rolled out, the mining industry needs time to implement decarbonation projects. Long term investments cycles are also very important while the timeframe is very short. Research and innovation projects as well as trial periods are still necessary for the breakthrough technologies. Strengthen the ETS cap through a one-off reduction would not be efficient, however, strengthening the cap through the increase of the linear

reduction factor combined with the MSR would. So far, the MSR remains the most efficient instrument to stabilize the EU ETS. Therefore, the policy mix choice should ensure the basis for stable, coherent investment conditions that would allow for the deployment of low-carbon technologies.

3. The carbon leakage protection measures currently in force should remain the main instrument protecting the competitiveness of the energy intensive industries, and encouraging innovation

The mineral raw materials industry is highly electro-intensive, exposed to a significant risk of direct and indirect carbon leakage. Unable to pass through costs and currently faced with the prospects of investment in the EU ETS area worsening simultaneously with a decrease in domestic demand, the EU raw materials sector is concerned that any lack of an effective carbon leakage protection system as it is now will undermine the international competitiveness of the industry through the further loss of market share and profit margins to competitors who do not face similar costs. In this context, sufficient free allocation according to needs must continue to be provided to the industry. The indirect costs reimbursement also needs to be taken into consideration as electrification will be the key to achieving a low-carbon economy.

If additional measures are necessary as identified by the future impact assessment, then they should complement the current system, not change, or replace it.

4. Benchmark relevant allocation

Benchmark values should be calculated using the current methodology and reflect actual performances registered by the sectors. There is no need for additional benchmarks. Rather, the existing ones should:

- Be reassessed to include all the right installations;
- Reflect the latest data, technological innovations, and best available techniques;

5. Extension of ETS Directive scope

As the extension of the current ETS system would generate additional burdens we believe that two separate systems are preferred for the time being. At the same time, the relative carbon-price impact on emissions varies considerably from sector to sector. It is not feasible to put local markets with different capacity to pay into a system with internationally competitive industry.

6. Any amendment requires a systemic, holistic approach along integrated value chains

Assessing and ensuring compliance with an updated target requires multiple actors, the European policymakers as well as the entire society along the entire value chain to act simultaneously towards the same objective. Using a value chain approach would make it easier to boost the contribution of existing economic activities, but also to create and develop new and more efficient low-carbon activities, through the introduction of new materials and investments. Moreover, the use of best available techniques (BAT) would be essential.

7. The European raw materials sector is crucial for achieving a minimum 55% climate target by 2030

European mineral products trigger emission reductions in many sectors of the economy. For example, new infrastructure for alternative energies requires an increased use of metals and minerals, in particular steel for pipelines; copper and graphite for electricity cables, generators and electric motors; aluminium, primarily for electricity cables; as well as a need of other metals and minerals including phosphorous, potassium and nitrogen for biomass production. Together with its equipment suppliers and downstream customers, the European mining industry is leading the development of energy efficient and low carbon technologies.

Raw materials mining and quarrying activities are essential in terms of mitigating supply risk, e.g., providing materials for the deployment of low-carbon technologies and agriculture, and increasing the resilience of manufacturing value chains. The European minerals sector can secure availability of essential materials needed for current and future technologies to create a climate neutral, service and welfare orientated, circular and resource efficient economy while sourcing raw materials in a sustainable and responsible way. Mining and quarrying can encompass sustainable activities based on their own performance and/or enabling activities: minimising their impacts makes a significant contribution to climate change mitigation and adaptation.

Additionally, mining in Europe is operating at highest environmental and social standards compared to non-EU countries. The industry in Europe is committed to substantially contribute to climate change mitigation: it not only continuously explores methods of decarbonisation in order to efficiently and effectively fulfil the continued increasing demand for resources, but also enables other economic activities to improve their environmental performance.

8. For the ETS to continue to be an effective and efficient instrument, the additional sectors should be kept separate

The EU ETS system is the key element of the EU in reducing industrial emissions. However, the ETS must not simply be extended to other sectors, e.g. the emissions from buildings or road transport. The relative carbon-price impact on emissions vary considerably from sector to sector. If traffic and building need and can carry other levels of price signals compared to the industry and energy sector, there is no one-size-fits-all carbon price.

About Euromines

Euromines, the European Association of Mineral raw materials Industries, Metal Ores & Industrial Minerals, represents large and small companies and subsidiaries in Europe and in other parts of the world which provide jobs to more than 350,000 people. Through the activities and operations of these members, more than 42 different metals and minerals are produced. Their sustainable exploitation can increase Europe's supply of mineral resources, help ease imports from third countries usually applying lower environmental, corporate, and social standards and foster the socio-economic growth of Europe's Regions. The European mineral raw materials industry plays a crucial role in the EU ability to nurture sustainable growth including access to and supply of raw materials, providing over 30 million jobs and playing a key role in the development of modern environmentally friendly technologies.