

Public consultation
Updating the EU Emissions Trading System
-Boliden Response -

Boliden supports the European commission's goal to become the World's first climate-neutral continent by 2050; a goal that can only be achieved through an extensive reduction of fossil fuel consumption and a strong increase in base metals production. More copper, zinc, nickel and other base metals are needed in order to change and develop industry and the transport sector, and to increase fossil free energy production. Our view is that the Green Deal, the transformation of Europe towards a fossil-free future, needs to be based on the development of better techniques and the incentive of profit.

All sectors of the economy (ETS-sectors and non-ETS sectors) should play their part in trying to achieve the strengthened European target of a 55% reduction in GHG emissions by 2030. The reduction obligations between sectors need to be balanced and based on the reduction potential of each sector, in a cost-effective way.

Current ETS sectors have already contributed significantly to the reduction of the EU's emissions. Therefore, it is important that the additional effort to strengthen the 2030 target, must not force these sectors to contribute disproportionately more than others. Using a value chain approach would make it easier to boost the contribution of existing economic activities, while also creating and developing new and more efficient low-carbon activities, through the introduction of new materials and investments. Therefore, we believe it is not a good idea to put a price on GHG emissions from EU maritime transport activities. Furthermore, countries on the outskirts of the EU are penalized with higher costs for transport, depending on geographical location, which undermines competitiveness on the global market. The main thing is to create a level playing field in Europe between different techniques and regions.

Boliden does not want to rank or prioritize the various options that are suggested in order to achieve the strengthened EU ETS 2030 ambition, because they are all detrimental to the mining and metals industry. We argue that it is most important to maintain and even improve industry's competitiveness and keep a level playing field between competing sectors within the EU, and globally, in order to avoid carbon leakage. The Mining and Metals industry needs time and regulatory stability to implement the necessary low-carbon technologies. Research and innovation projects as well as trial periods are still necessary for the breakthrough technologies. Given this, a one-off reduction in the ETS cap is not the appropriate instrument.

Boliden has set an ambitious goal to reduce CO₂-emissions by 40% (compared to 2012) by 2030. Our goal is to provide the metals essential to improve society for generations to come with consideration to people, the environment and the society. Our vision is to be the most climate friendly and respected metal provider in the world, and today, the climate impact of Boliden's value chain is already significantly lower than the global average for our industry.

Furthermore, the Mining and Metals industry is global. Prices are set on a global market and are influenced mainly by economic growth rates and expectations of supply and demand. Our industry is unable to pass on extra costs to our customers, and we are exposed to a significant risk of direct and indirect carbon leakage. We are worried that a lack of an effective carbon leakage protection system will undermine the international competitiveness of the European Mining and Metals industry. We think it is important to maintain and even improve industry's competitiveness and keep a level playing field between competing sectors within the EU and globally in order to avoid carbon leakage. Therefore, any increase in ambition should be matched with reciprocal carbon leakage measures. In particular, with regards to electro-intensive industries such as the non-ferrous metals industry. It should be noted that if indirect costs are not taken into consideration it will be difficult for our sector to produce the metals required to transform Europe into the world's first climate-neutral continent by 2050.

Boliden considers the existing EU ETS to be the key tool for addressing the reduction of CO₂-emissions and to protect the competitiveness of the energy intensive industries. Although the current framework has not provided full protection, the system of free allocation and indirect compensation has limited carbon leakage in Phase III of the EU ETS. Looking ahead, with a higher ambition and a higher carbon price, the EU needs to increase, not reduce carbon leakage protection in Phase IV.

Boliden does not want new sectors to be integrated into the current EU ETS system. We think a separate EU-wide emissions trading system for road transport and buildings or all fossil fuel use should be established as a parallel system to the current EU ETS.

Reasons for this include:

1. Carbon abatement costs vary greatly between different sectors of the economy and each sector (e.g. mining and metals industry, maritime, buildings, transport) price carbon differently.
2. The transport sector is heavily taxed already (e.g., ~60% tax on fuels in Sweden) and we are worried that if the transport sector should be integrated into the current system it would mean yet another additional cost.

We believe that if new sectors were to be integrated, it would cause severe distortions in the system. Therefore, we would like to change the current system as little as possible. The important thing for the Mining and Metals industry is that predictability must be maintained as much as possible in order not to jeopardize investment in the sector. Any amendment to the existing EU ETS or any of its' subsequent acts, should complement the current system, not change, or replace it.

In order to strengthen the ETS cap and to decrease the absolute volume of allowances, our opinion is that the auction share should be decreased and the free allocation share increased in order to avoid a cross – sectoral correction factor (CSCF), and have the necessary allowances available for industry. We also think benchmarks should reflect actual performance. In addition, we think that with the higher ETS ambition and rising carbon price, it is necessary to increase rather than reduce the number of free allowances in the system.

The Market Stability Reserve (MSR) should serve as a function to avoid the cross-sectoral correction factor (CSCF). Adjusting the MSR, while remaining within the ETS cap, can be an effective way to avoid the CSCF. This would support Emissions reduction targets and reduce carbon leakage risk.

We propose:

- Part of the ready-to-be invalidated volume is set-aside and released later if necessary, to avoid the CSCF. The set-aside volume should be released if required to stop the New Entrants Reserve (NER), in order to stimulate and not punish industrial growth.
- Keep aside the surplus accumulated from the economic downturn due to the COVID crisis and the financial crises, and protect such volume for the invalidation clause. These EUAs are highly needed surplus to cope with economic recovery and industrial growth.
- Good surplus should be released back into the market in case it is needed to 1) avoid the CSCF and 2) to potentially add volume to the NER.

About Boliden

Boliden is a metals company with a focus on sustainable development. Our roots are Nordic, our market global. Our core competence lies within the fields of mineral exploration, mining, smelting and metal recycling. Boliden has around 6,000 employees and an annual turnover of SEK 50 billion. Shares are listed in the Large Cap segment on NASDAQ OMX Stockholm. Contact: Ann Allen, Manager Public Affairs, ann.allen@boliden.com +46 70 520 35 25
