



POLISH CHAMBER OF COMMERCE

## 19th European Round Table on Coal

# **EU ETS – Why an international agreement is needed before structural reform**

Brussels, 22. January 2013

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1. **Go global before changes in the ETS**
2. **NO for backloading or set – aside**
3. **Any prospects for CCS?**
4. **Why do we need coal in Europe**
5. **Conclusions**

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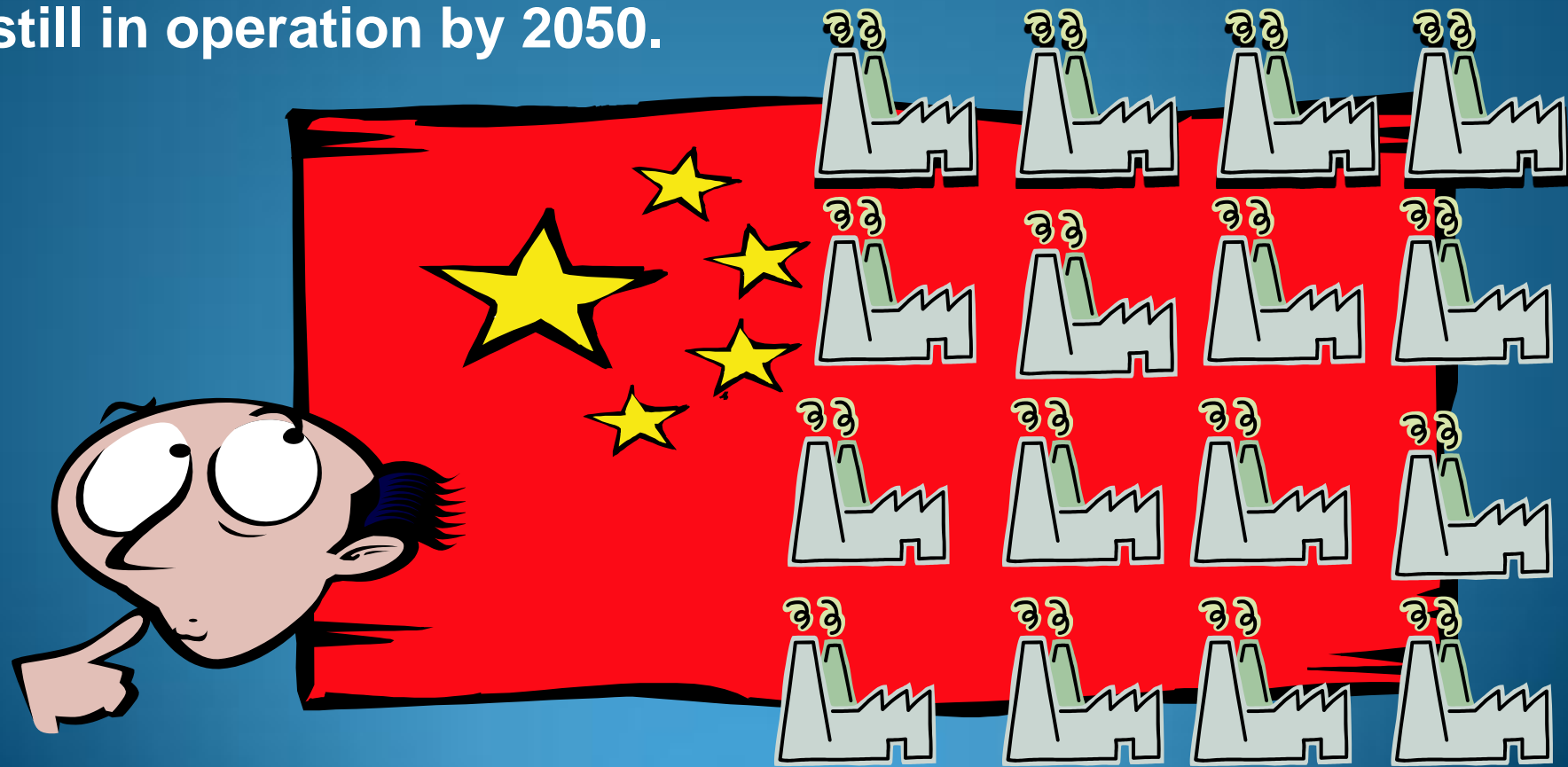
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The European CO<sub>2</sub> emission share  
**constitutes merely 10% of global CO<sub>2</sub>  
emission.**



# Climate change might only be successfully tackled if addressed globally.

The Chinese coal consumption represents **more than 50% of global use**, their **300 GW coal fire power plants** currently under construction or planning phase will be still in operation by 2050.



In case EU is the only region trying to introduce more stringent limitations this action will have to end up with **serious deterioration of EU competitiveness** and the **inevitable capital flight** will be what follows next.





Introduction of additional burdens for entities functioning in different sectors of EU economy by means of artificial EUAs price increases **could have only been acceptable if other countries in the world such as China, USA, Russia, India had also joined global CO<sub>2</sub> reduction agreement.**

**Otherwise it will challenge EU competitiveness !!**

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Concept of backloading **does not recognize the differences that exist between particular economies of individual Member States** (different growth rate, different fuel mix, different participation ratio of industry in the process of GDP creation)



Concept of backloading does not include any **mechanism allowing for just and fair distribution** of additional economic burdens between Member States resulting from it.



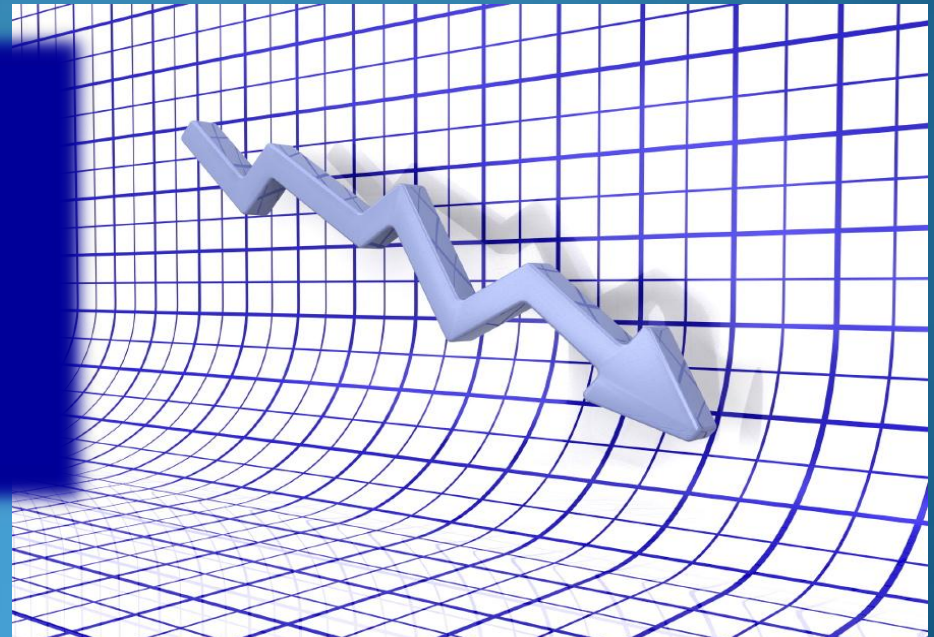
Backloading is an **unacceptable administrative involvement** into a **well functioning market scheme** that compromises its predictability as well as fundamental principles of ETS directive.



It is simply a form of **hand steering** and the effort to **change the rules during the game.**

The low levels of EUAs prices derive from **the fast growth of RES and the overall poor performance of EU economy** as a whole, which are the reasons for the lower demand for ETS allowances, thus **they don't indicate any failure in the EU ETS system.**

On the contrary they prove it to be **a real market based instrument.**



Backloading which in fact constitutes a crucial change within ETS will have a **tremendously negative impact on EEC industry and electricity** sector acting as a **destabilization factor for investment environment** hence inevitably **compromising future security of supply** of this region resulting from the lack of investments.



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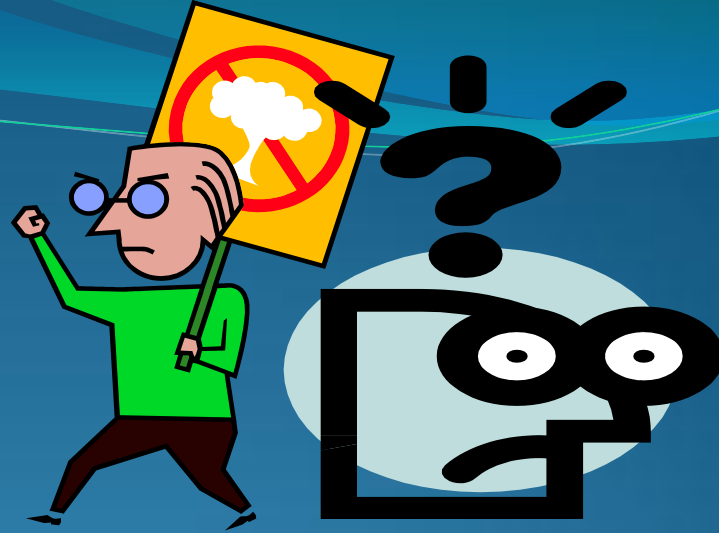
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EU legal framework on CCS was adopted, supplemented with R&D initiatives and funding instruments. The EU Flagship Demo Programme **has failed to start any of expected projects.**

**Commercial availability of CCS will be postponed by decades.**



The real potential of CCS in Europe is **limited due to the lack of public awareness and acceptance**, especially for onshore storage.



Moreover CCS **decreases electricity generation efficiency** and **raises operational costs**, resulting in higher electricity prices for customers and lower competitiveness of European industry.



**This will ultimately lead to a higher unemployment levels !!**



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The use of coal in the EU **increased by 6% only between 2010 and 2011**, reaching **753,2 Mt** in 2011.

**More than 73% of coal** used in the UE was **produced domestically** [this allowed to cover 16% of demand for primary energy in the region].

Therefore any form of coal discrimination will have a strong **adverse impact on the local labour market and the security of supply in the EU.**



The coal sector significantly **contributes to Europe's security of energy supply.**

Around **15 GW** of new coal and lignite capacity representing highest achievable efficiency is being constructed or **planned** in the EU as the cheapest way to cover future demand for electricity for the industry and the households.



**We strongly oppose to any new burdens for industry processes and electricity generation based on coal, especially CO<sub>2</sub> emission standards or CCS certificate system !!!**



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It is **necessary to revise EU energy and climate policy due to the risk of carbon leakage** caused by heavy industry relocation if the ETS price will increase.

Pretending that carbon leakage will have no implications on EU in terms of competitiveness or state of climate change **is either a naiveness or hypocrisy.**



**Stable and transparent policies** are needed for better investment climate

**Integrated approach instead of conflicting policy instruments** and targets are expected by the industries

**There's a strong disagreement** for further deterioration of the **European competitiveness** and growing commodity prices

Next round for CCS Demo **need to be carefully prepared** - **CCU** instead of **CCS**

**There's a need for a scenario for Europe** assuming **no global CO<sub>2</sub>** emission reduction agreement

**Global agreement is needed** before any structural changes in the ETS



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Thank You for  
your attention.

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