

Brussels, 18 September 2009

Emissions trading: Member States approve list of sectors deemed to be exposed to carbon leakage

EU Member States today approved a draft Decision listing 164 industrial sectors and sub-sectors deemed to be exposed to 'carbon leakage'. Under the revised EU Emissions Trading System (EU ETS) which will apply from 2013, installations in such sectors will receive a higher share of greenhouse gas emission allowances free of charge than other industrial sectors. The final Decision should be adopted by the European Commission by the end of the year following scrutiny by the European Parliament and the Council.

The issue of carbon leakage relates to the risk that companies in sectors subject to strong international competition might relocate from the EU to third countries with less stringent constraints on greenhouse gas emissions.

At a meeting of the Commission's Climate Change Committee, Member States gave a favourable opinion on a list of 164 sectors and sub-sectors which the Commission judges face a significant risk of carbon leakage. The list has been drawn up on the basis of detailed criteria on CO₂ costs and trade exposure set out in the revised EU ETS Directive agreed as part of the climate and energy package in December 2008 (see [IP/09/628](#)).

The draft Decision will now undergo three months of scrutiny by the European Parliament and the Council with a view to its adoption by the Commission by the end of the year.

The risk of carbon leakage could be lessened by the international climate change agreement due to be concluded at the Copenhagen U.N. climate conference in December. The Commission will therefore review the list in the light of the Copenhagen agreement and may propose revisions.

If the list is not revised it will apply for five years, until 2014, but sectors can be added to the list during this period. A new list would apply for the period 2015-2019.

The sectors and sub-sectors judged at risk of carbon leakage are estimated to account for around a quarter of total emissions covered by the EU ETS and around 77% of the total emissions from manufacturing industry in the EU ETS. A large part of the emissions covered by the ETS come from the power sector which from 2013 will not receive any free allowances, subject to a limited exemption to aid modernisation of the electricity sector in some Member States.

The actual number of free allowances that industrial installations will receive will be decided in 2011. This will be done on the basis of common performance benchmarks which should be determined by the end of 2010. Under the Directive, industrial sectors will receive 80% of benchmarked allowances for free in 2013 decreasing annually to 30% in 2020. Those sectors which are deemed to be exposed to carbon leakage will receive 100% of the benchmarked allowances for free. The benchmarks will reflect the average performance of the 10% most efficient installations (in terms of their greenhouse gas emissions) in a sector or subsector in the EU over the years 2007-2008. The benchmarks will therefore create additional incentives for ETS installations to reduce emissions and improve energy efficiency. Given the stringency of the benchmarks, only the most efficient installations have a chance of receiving all of their allowances for free.

To prepare the draft Decision the Commission held several broad stakeholder consultations as well as a large number of bilateral meetings with industry, NGOs, academics and Member States. The work was carried out in close co-operation between the Commission's Directorate-General for Environment and the Directorate-General for Enterprise and Industry.

Further information:

The draft decision on the list of sectors and sub-sectors proposed by the Commission will be put on the Commission's carbon leakage website:

http://ec.europa.eu/environment/climat/emission/carbon_en.htm

Amended ETS Directive and Frequently Asked Questions:

http://ec.europa.eu/environment/climat/emission/ets_post2012_en.htm