



**FREE ALLOCATION REGULATION (FAR) EU ETS PUBLIC
CONSULTATION STAKEHOLDERS ROUNDTABLE
PROCESS EMISSIONS**

**ERCST – Brussels
4 October 2023**

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Latest version of the draft text on FAR and working document (27.07.23):

COM is proposing an allocation factor for process emissions of 0.79 of the average emissions during the baseline period.

This factor corresponds to “the weighted average of the update rates of product benchmarks with a considerable share of process emissions. The weighted average of these update rates is -0.92% which applied over 20 years leads to a 18.4% reduction of the original value 0.97”.

BM	Name	Calculated yearly update rate	Applied yearly update rate
10	Grey cement clinker	-0,63%	-0,63%
11	White cement clinker	-0,16%	-0,30%
12	Lime	-2,42%	-2,42%
13	Dolime	-1,98%	-1,98%
14	Sintered dolime	-0,06%	-0,30%
15	Float glass	-0,80%	-0,80%
16	Bottles and jars of colourless glass	-1,71%	-1,71%
17	Bottles and jars of coloured glass	-1,50%	-1,50%
19	Facing bricks	-3,61%	-2,50%
20	Pavers	-3,02%	-2,50%
21	Roof tiles	-1,11%	-1,11%
23	Mineral wool	-1,42%	-1,42%
52	Soda ash	-0,71%	-0,71%

This proposal will have a significant detrimental impact on sectors operating with process emissions !

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Position of **10** Industrials sectors related to the Commission's Discussion Paper "Revision of Commission Delegated Regulation (EU) 2019/33":

Keep Process emissions allocation factor at current level (0.97 of the average emissions during the baseline period)

Articles 16(2)(e) and 18(1)(b) of the FAR should not be modified

Cerame Unie, ECGA, Euroalliances, the European Copper Institute, Eurometaux, Euromines, EXCA (Expanded Clay), Glass Alliance Europe, PRE (European Refractories), Europe and TBE (Tiles and Bricks)



Brussels, August 2023

Joint Industry Feedback: Free allocation for process emissions sub-installations – definition and methodology for updating the process emissions allocation factor

Reference: Concept paper and legal draft for the revision of the Free Allocation Regulation (EU) 2019/331

Request: Maintain option A in the Commission's Discussion Paper "Revision of Commission Delegated Regulation (EU) 2019/33" and keep the process emissions free allocations factor at 0.97 of the average emissions during the baseline period.

Cerame-Unie, ECGA, Euroalliances, the European Copper Institute, Eurometaux, Euromines, EXCA, Glass Alliance Europe, PRE and TBE would like to add on our previous input and express our deepest concern with regards to the suggested definition and methodology for updating the process emissions allocation factor.

Following the information sent by DG Clima on July 27th on the updated value for calculating free allocation for process emissions and the list of product benchmarks considered for this exercise, we, the undersigned would like to make the following comments:

1. There is no legal justification for the methodology used by the Commission to reduce the process emissions allocation factor while its potential impact on the industry is critical.

1.1 Legal aspects:

The Commission proposes to use the methodology applicable to benchmarks to reduce the process emissions allocation factor by calculating a weighted average update rate of relevant product benchmarks and multiplying it by the number of years between 2008 and 2028. This is the way that the values of all product benchmarks are defined for the period 2026-2030 and it is foreseen by the EU ETS Directive (Art. 10a(2)), as it reads:

"(c) For the period from 2026 to 2030, the benchmark values shall be determined in the same manner as set out in points (a) and (d) of this subparagraph, taking into account point (e) of this subparagraph, on the basis of information submitted pursuant to Article 11 for the years 2021 and 2022 and on the basis of applying the annual reduction rate in respect of each year between 2008 and 2028."

While this provision applies to benchmark values, it must not be applicable to the process emissions factor. This factor cannot be treated like a benchmark as it is ruled by a different allocation method (grandfathering approach). The arbitrary application of the 20 years multiplication to the update of the process emissions allocation factor does not have any legal or technical justification. The EU ETS Directive prescribes it only for benchmarks.

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Why ?

- The process emissions allocation factor is **not an ETS benchmark** and, therefore it should not be compared, assessed, or modified according to the benchmark approach.
- Decreasing the 0.97 allocation factor for process emissions has **no legal basis** as not foreseen by EU ETS.
- A process emissions reduction without a proportional decrease in the production level is **technically NOT feasible**.
- According to the law, the **updated rates are based** and have been calculated individually for each benchmark according to the actual and **verified performance** of each sector in years 2016-2017. The calculated update rates reflect the achievements of the **actual technical progress** in each industrial sector, while it is not the case for the proposed methodology.
- All product benchmarks used by the Commission include a **substantial part of fuel emissions** in addition to the process emissions in their definition, **mainly responsible for the emission** reduction. The Commission methodology does not bring evidence of a *de facto* reduction in process emissions. This would lead to **unfair treatment**.
- This proposal should be preceded by stakeholder discussions as well as a **thorough impact study**, and a consultation on the methodology used.

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- The **same baseline period** should be used for process emissions (2013-2020).
- **Carbon capture and storage or use cannot be used as reference** to reduce the free allocation factor as they are different processes, not under the control of process emissions installations and not fully operational for the time period considered. Any option to reduce process emissions should be feasible, cost efficient, permanently available, and fully applicable by all process emissions installations.
- In some sectors, a reduction of the process emissions allocation factor would **penalize recycling operations**.
- **The proposed reduction will have serious consequences on the competitiveness of the industrial sectors concerned.**
- Estimated economic impact (**losses in Eur**) for the period 2026-2030 with a carbon price of 120 EUR/t
 - Ceramic industry: **350 mln**
 - Copper smelters and recyclers : **136 mln**
 - Magnesite: **63,2 mln**
 - Graphite: **18,45 mln**

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The particular case of the Ferroalloys/Silicon Industry

- The proposed reduction of the process emissions allocation factor from 0.97 to 0.79 will have **dramatic consequences on the ferro-alloys and silicon Industry** despite the fact that our Industry has already accomplished its **full electrification**.
- **A 18.5 % decrease of free allocation applied to all installations would mean with a average CO2 price of 120 EUR/T would result in a losses for the European ferroalloys & Silicon Industry of 530 mln EUR, and this only in the period 2026-2030 !**
- These losses would come on top of the **soaring electricity prices** that our sector has to bear...

Those figures are self-explanatory ...

- The mere existence of some producing plants in the EU is at stake and investments of those remaining to further implement the Green Deal commitments will be jeopardised.
- This will increase carbon leakage of the affected sectors

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In July 2023, the European Commission published the trade balance for the year 2022. This shows a large trade deficit, the first in the last 10 years.

Total imports exceed significantly total exports, giving a **trade deficit of 430 billion Euros**. This is a clear turning point showing an import dependency larger than ever before.

The measure envisaged by the Commission will only hasten this trend, to the detriment of climate objectives and will go against the recognized status of critical raw material of silicon and strategic material like silicon and ferro-alloys.

Thank you for your attention

Nadia Vinck