



European Chemical Industry Council

# NEWS RELEASE

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## Emissions Trading Scheme: time for a pragmatic approach

**Brussels, 8 October 2008 – Yesterday, the European Parliament Environment Committee voted on the Emissions Trading Scheme (ETS) report. Although benchmarking as a concept for distributing allocation rights related to performances has been accepted, no clarity has been given to industry about when this measure will be applicable. It is now in the hands of the Council to give the legislation a clear shape that safeguards the goal of reducing emissions by 20% in 2020 whilst securing the EU's competitiveness and employment.**

*"The European chemical industry shares the concerns raised by the Environment Committee: We all want to tackle climate change and to drive the shift to a low carbon economy; we all want to reduce CO<sub>2</sub> emissions. But obviously, this vote falls short of equipping us with the appropriate tools".* For Alain Perroy, Director General of Cefic, it does not give the required certainty and balance to preserve European industries' competitiveness and jobs.

Cefic now calls on the Council and the European Commission to drive negotiations with the European Parliament to prepare a more balanced final package.

Firstly, whereas the aim of reducing CO<sub>2</sub> emissions is not disputed, there are some serious concerns about the proposed tools. Increasing the costs of emissions rights through auctioning is not an effective way to tackle climate change. Without a truly international agreement with the same rules across the board, the auctioning system will place a unilateral and costly burden on the European chemical industry.

What is needed is a fair and rewarding system for world-class industry performers who develop new low carbon processes and who receive free allocations on this basis. Without such benchmarking processes, the European Union faces the risk of relocations because of a loss of competitiveness. Without such industries, the EU endangers its security of supply of goods and materials essential to the management of climate change via better insulation or better transport means – ultimately jeopardizing the achievement of the EU climate objectives.

*"We support benchmarking because this would provide a strong motivation for continuously improving CO<sub>2</sub> performance, while a generalised auctioning mechanism would penalise everybody, including the best performers",* says Alain Perroy.

Secondly, the EU chemical industry needs certainty. The current draft does not provide workable criteria to check which sectors are considered to be exposed to international competition and could therefore be granted free allocations for the best performers. The protection against speculative markets still remains unclear and the definition of truly international agreements remains vague.

*"Without more certainty, the European chemical industry will not be in a position to realise the essential investments for the future",* concludes Alain Perroy.

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