



# **EU Energy Policy perspectives**

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## Energy Policy Perspectives

- Global challenges: International Energy Agency (IEA) Outlook
- Chemical industry energy and emissions profile
- EU policy in the pipeline: 'January Package'
- Implications for EU chemical industry

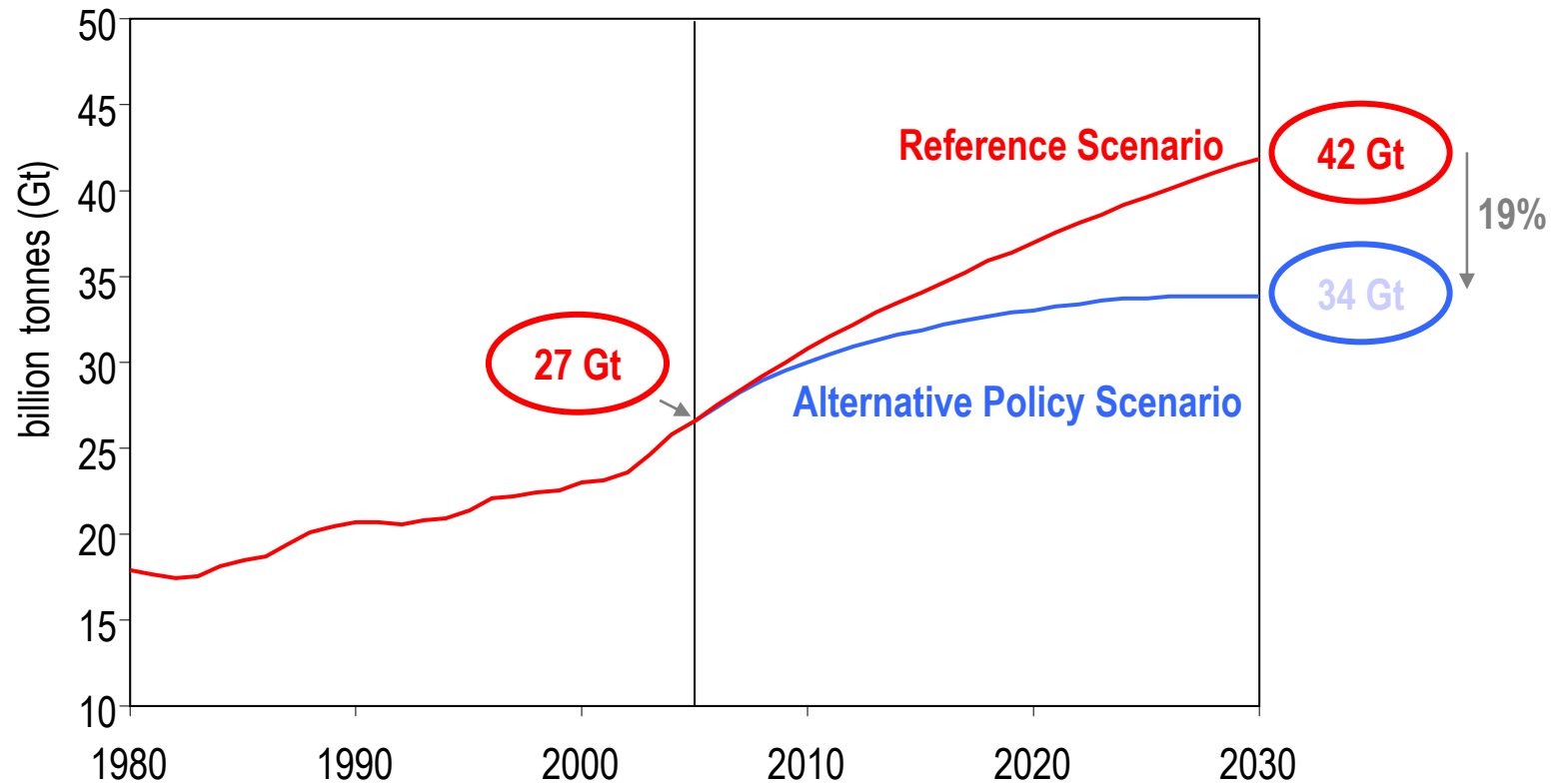
# World's Top Five CO<sub>2</sub> Emitters



	2005		2015		2030	
	<i>Gt</i>	<i>rank</i>	<i>Gt</i>	<i>rank</i>	<i>Gt</i>	<i>rank</i>
<b>US</b>	5.8	1	6.4	2	6.9	2
<b>China</b>	5.1	2	<b>8.6</b>	<b>1</b>	<b>11.4</b>	<b>1</b>
<b>Russia</b>	1.5	3	1.8	4	2.0	4
<b>Japan</b>	1.2	4	1.3	5	1.2	5
<b>India</b>	1.1	5	<b>1.8</b>	<b>3</b>	<b>3.3</b>	<b>3</b>

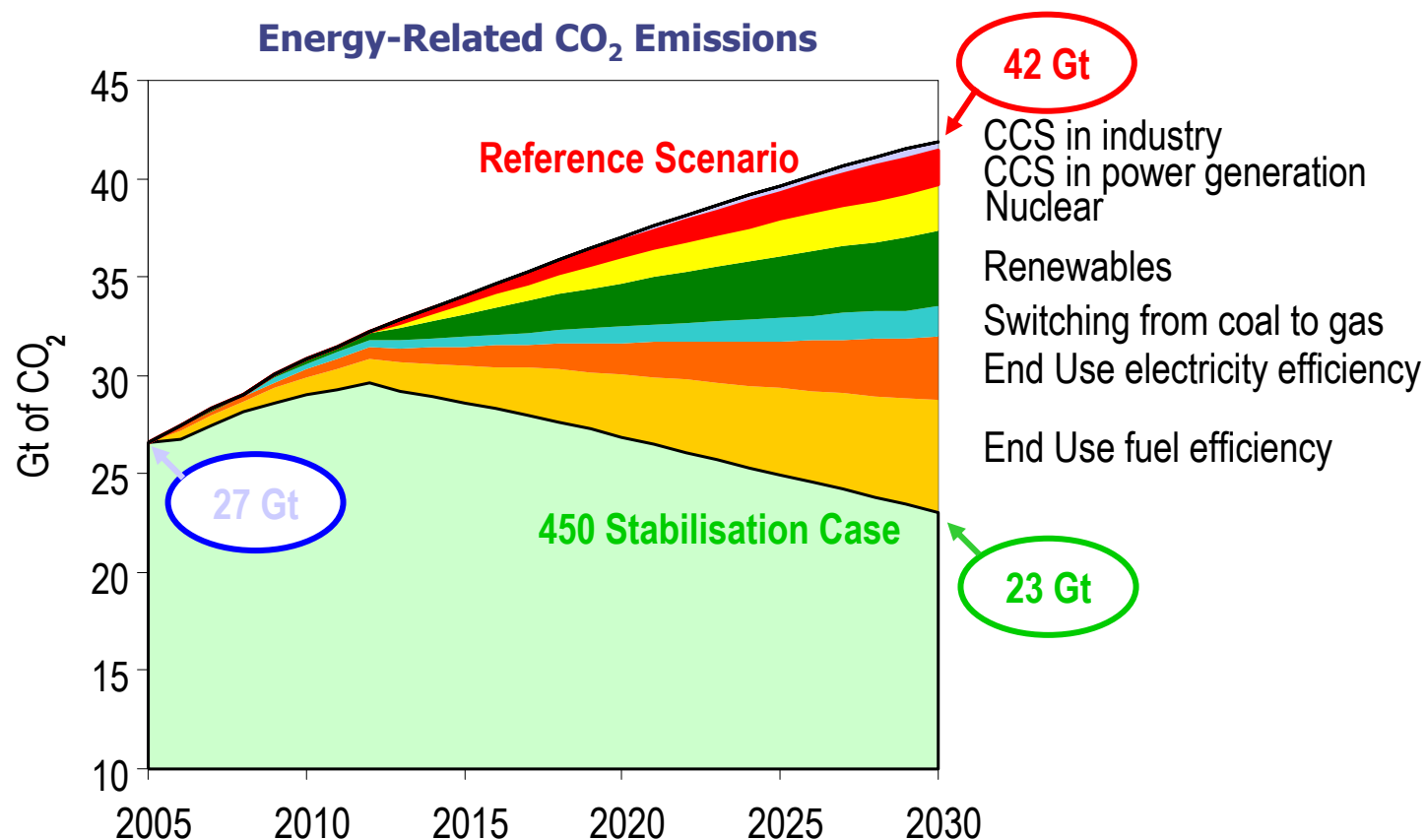
***China becomes the largest emitter in 2007 & India the 3rd largest by 2015 (IEA 2007)***

# Global Energy-Related CO<sub>2</sub> Emissions



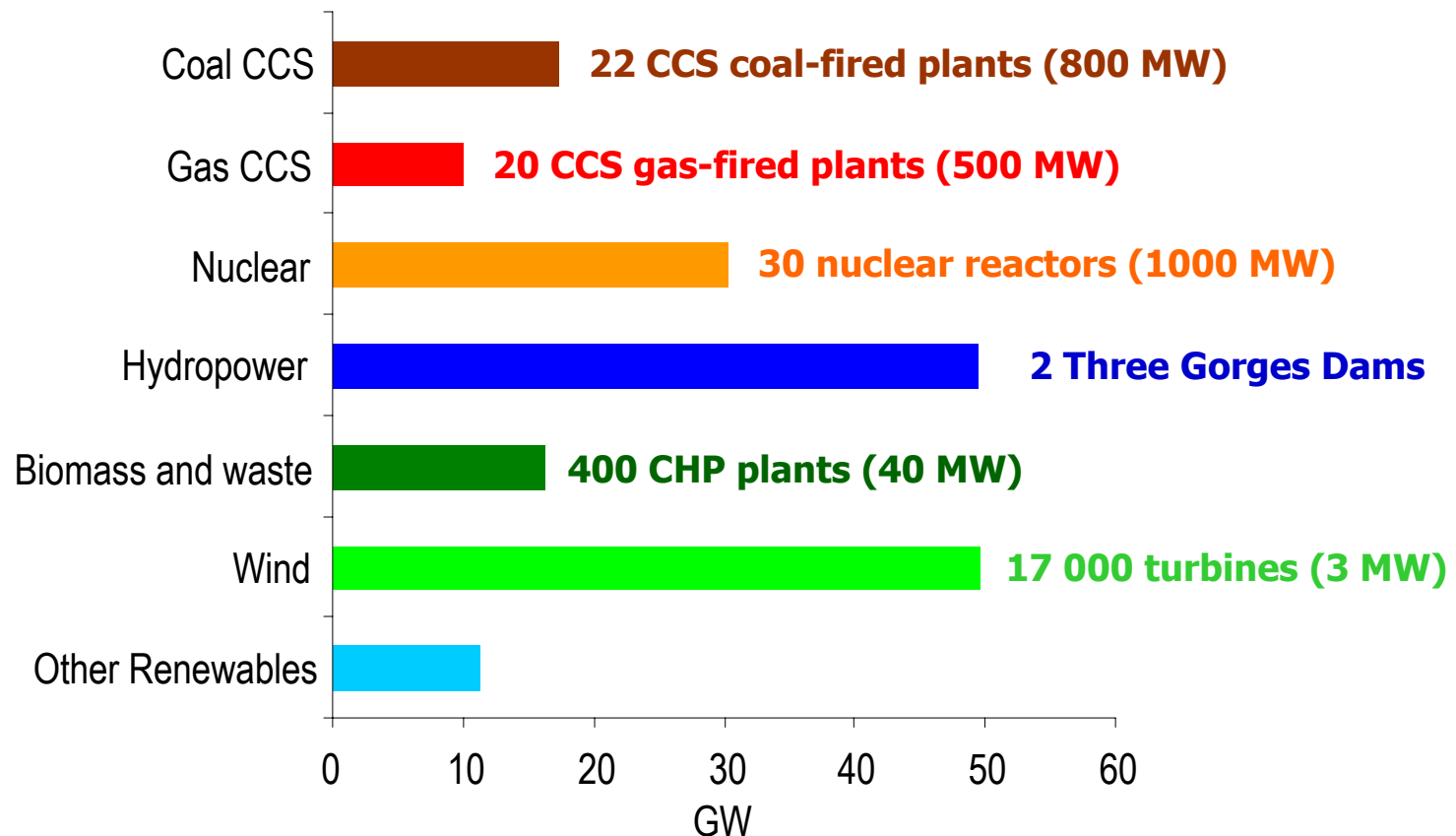
**Global emissions will increase by 57% in the Reference Scenario, but they level off in the Alternative Policy Scenario (IEA 2007)**

# CO<sub>2</sub> Emissions - 450 Stabilisation Case



***By 2030, emissions are reduced to some 23 Gt,  
a reduction of 19 Gt compared with the Reference Scenario  
(IEA 2007)***

# Average Annual Power Generation Capacity Additions in the 450 Stabilisation Case, 2013-2030

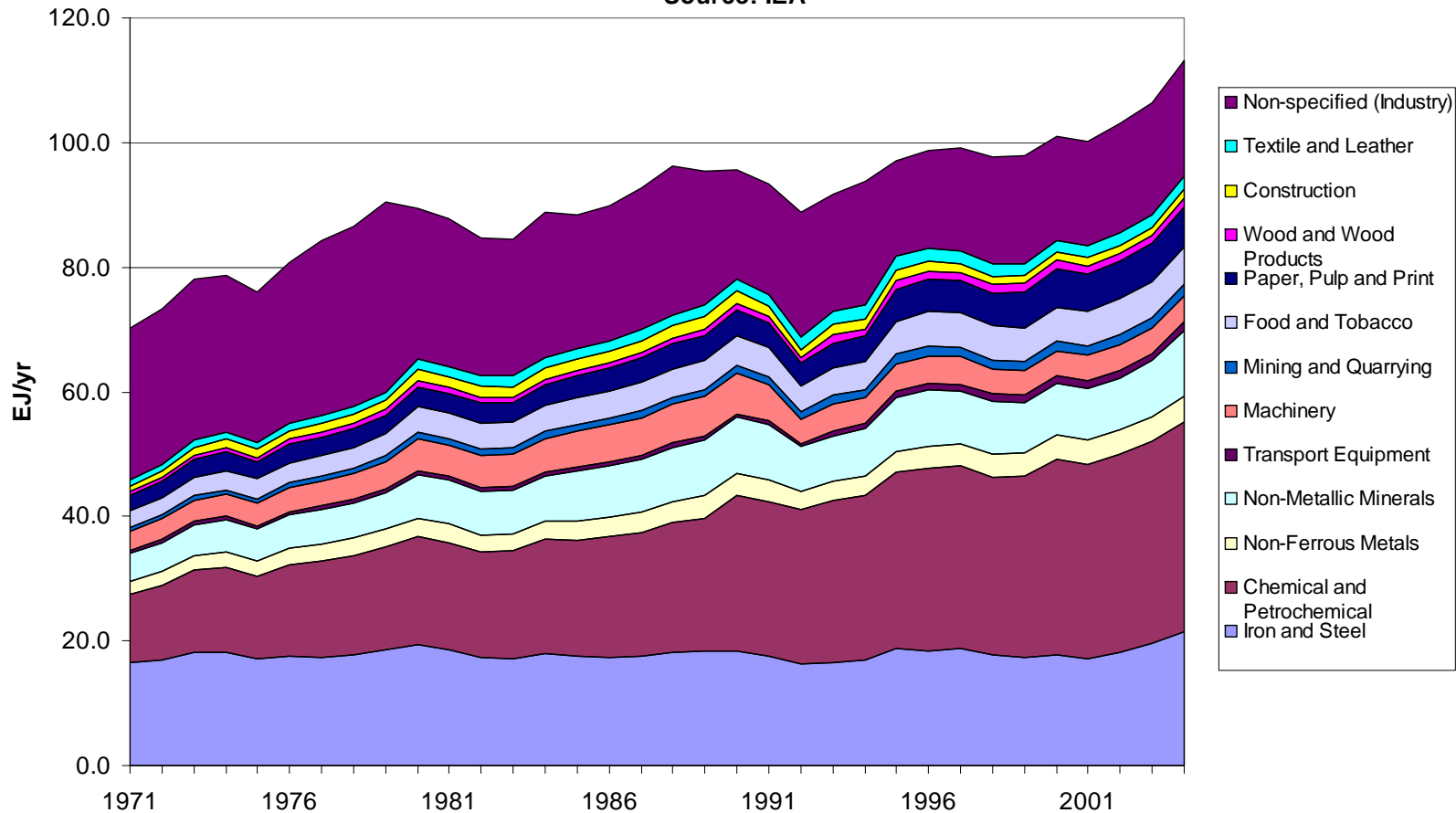


***A large amount of capacity would need to be retired early, entailing substantial costs (IEA 2007)***

# Global Industrial Manufacturing Energy Use

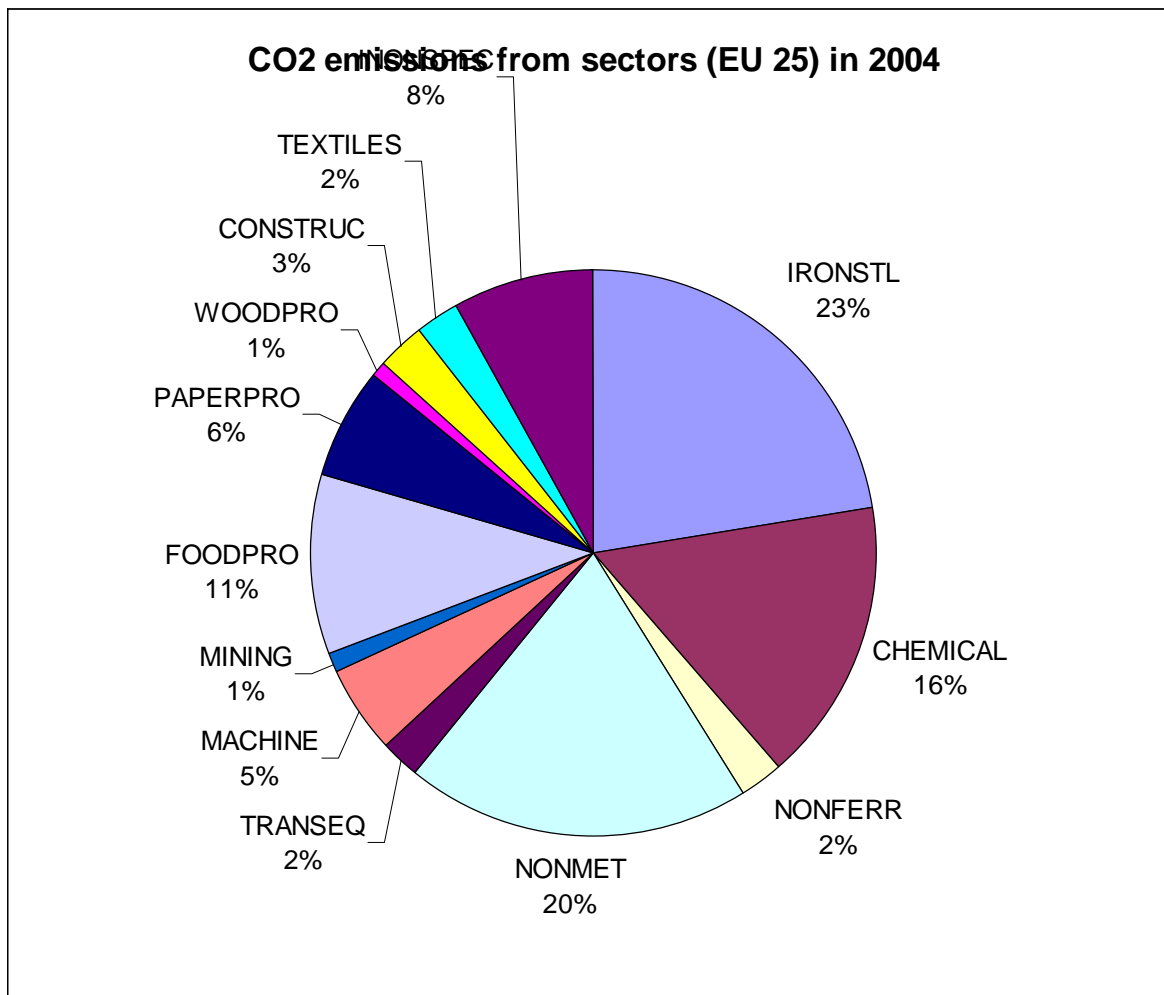


Industry sectors energy use  
incl. Feedstock use  
Source: IEA



**Chemical Industry accounts for 30% (IEA 2007)**

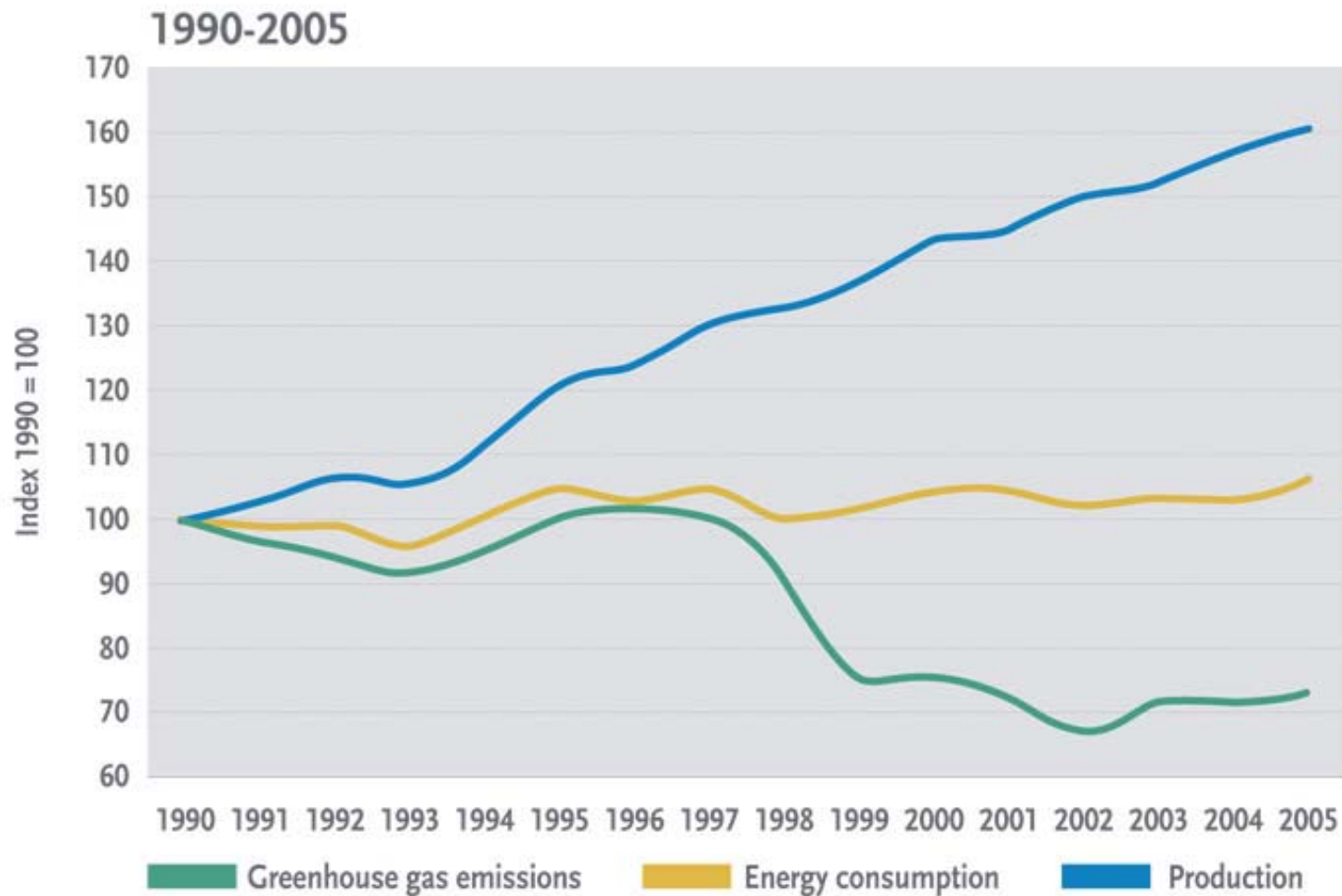
# EU Industrial Manufacturing CO2 emissions



**Chemical Industry accounts for 16%** (IEA 2007)

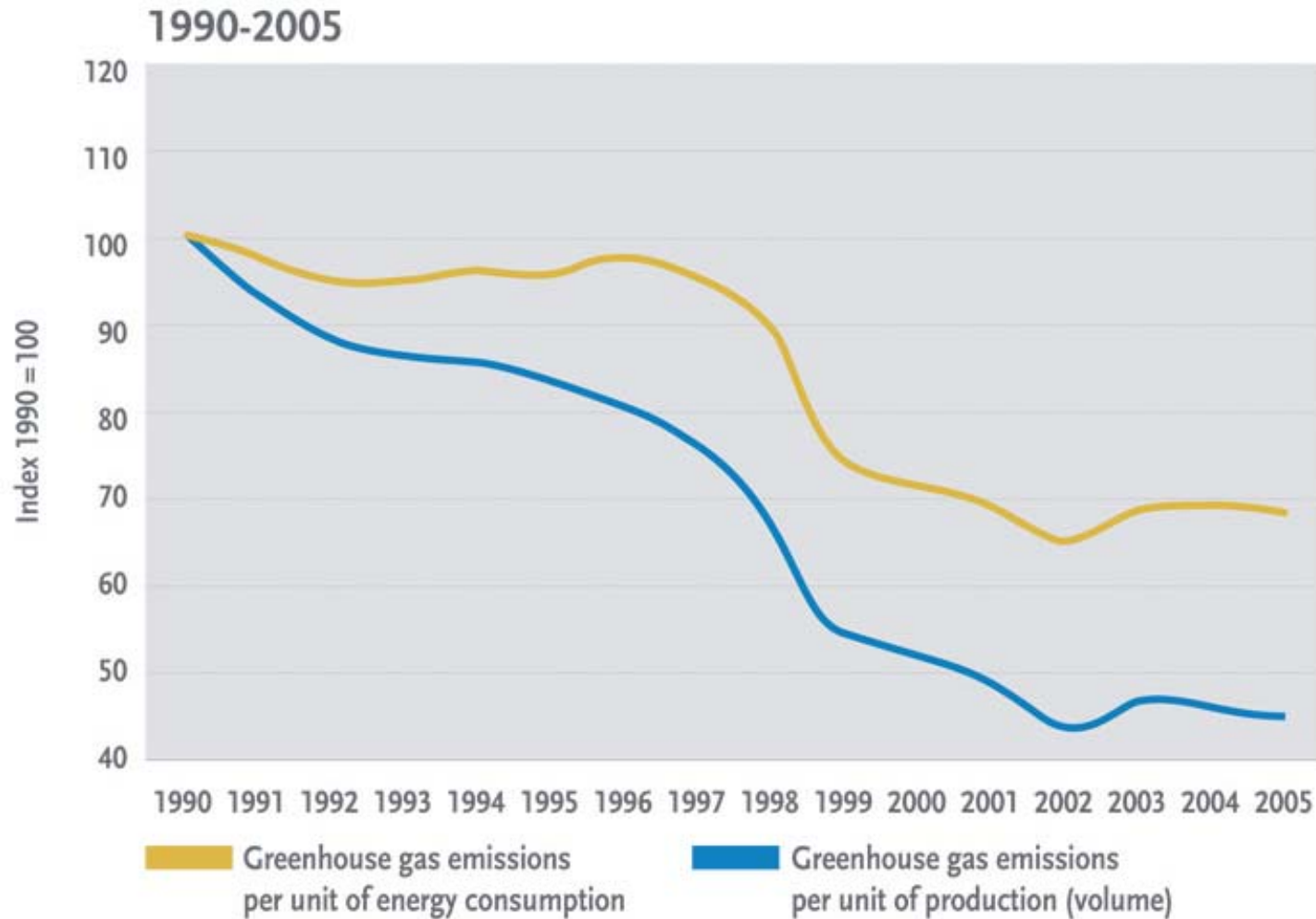


# EU chemical\* industry greenhouse gas emissions, energy consumption and production



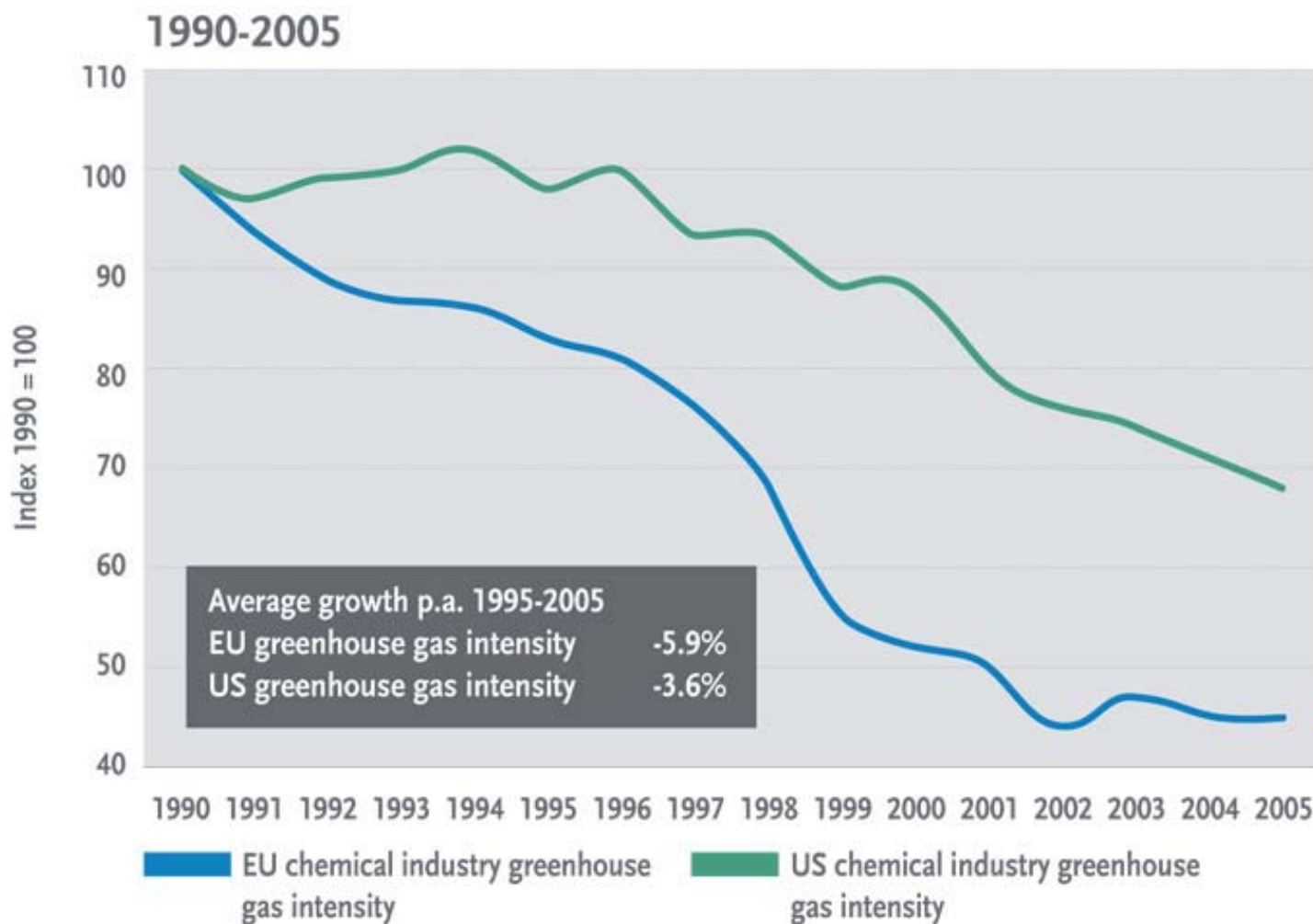
Sources: Cefic Chemdata International and European Environment Agency (EEA)  
\* Including pharmaceuticals

# EU chemical\* industry greenhouse gas emissions per unit of energy consumption and per unit of production



Sources: Cefic Chemdata International, European Environment Agency (EEA) and Eurostat  
\* Including pharmaceuticals

# Chemical\* industry greenhouse gas emissions per production: EU versus US



Sources: Environmental Protection Agency (EPA), ACC, Cefic Chemdata International and European Environment Agency (EEA)

\* Including pharmaceuticals



# EU Energy and Climate Policy

In March 2007, the **European Council** agreed on an **integrated climate and energy policy**:

Creating **binding, regional targets for energy and climate policy** :

- By 2020: at least 20% GHG reductions (EU)
- By 2020: 30% GHG reductions (if comparable efforts by other countries)
- By 2020: 20% energy efficiency increase
- By 2020: 20% renewable energies in energy consumption (today 7%) Biofuels: min. 10% until 2020

...**EC legislative package announced for January 2008**

**Aim: to create low-carbon EU economy**

24 Sept. Intern. Conference Energy Efficiency

8-14 Dec. CC UN Conference Bali

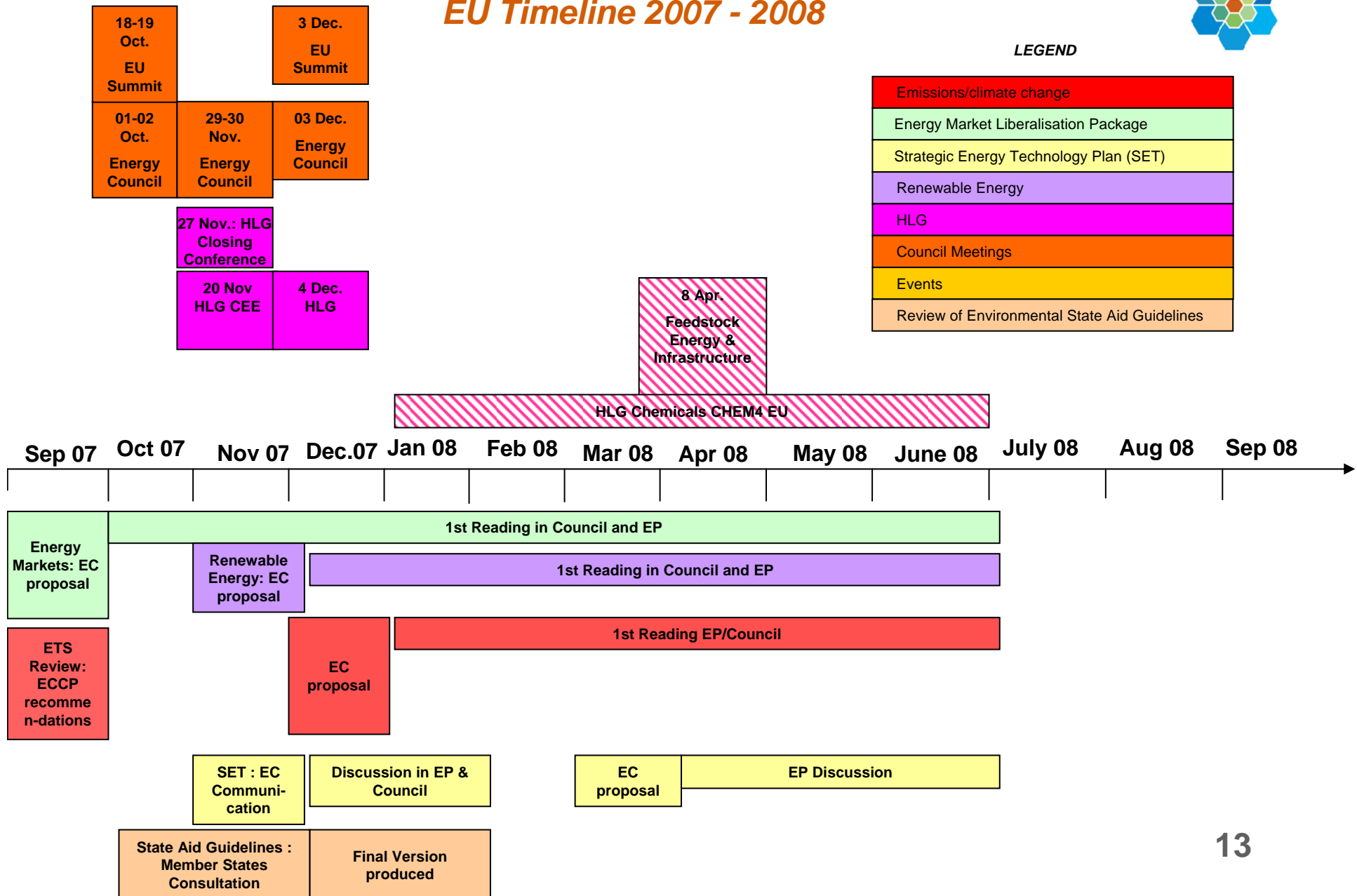
# Accelerating Pace

## EU Timeline 2007 - 2008



LEGEND

Emissions/climate change
Energy Market Liberalisation Package
Strategic Energy Technology Plan (SET)
Renewable Energy
HLG
Council Meetings
Events
Review of Environmental State Aid Guidelines





## January Package: Renewables

EC Mandate:

Build legislation that achieves by 2020 20% renewable energies in energy consumption; Biofuels: min. 10% until 2020

**EC works on mandatory formula to enforce increase of renewables share towards 20% by 2020:**

**Macroeconomic model will take economic parameters, level of current and potential renewable energy share, certificate trading considered**

**General 'Big Picture' impact assessment announced**

**Industry concerned about access to raw material**

**Sector impacts to be ignored in impact assessment?**

# January Package: ETS Review under development



Chemical industry processes to be included

Threat: Allocation of emission rights by **auctioning**:

Steep curve towards **full auctioning of allowances for the power sector**. **No special provision for on-site energy installations (e.g. CHP)**: Our industry's power production facilities may be treated similar to the power sector.

Only few **“exposed sectors”** may qualify for receiving **free allocation based on benchmarks**.

**“Energy-intensive/exposed sectors”**:

- Possibly extra allowances compensating indirect ETS costs
- **Free allocation** according to a benchmark: **90% in 2013**; the rest will be **auctioning with increasing share of 5% per year until 50% auctioning** is achieved in 2020.



## January Package: ETS Review

### **Action (1):**

- **Cefic presented together with EFMA the case of European Fertilizer Manufacturers to EC.**
- **Cefic presents work on benchmarks in the petrochemical sector to EC.**
- **Cefic introduces systematic structure for data to be submitted to EC.**
- **Cefic safeguards submission of data on soda ash and petrochemicals**



# January Package: ETS Review



## **Action (2):**

• **Cefic sent letters to Commissioners on 6 November and Alliance letter, prepares high level advocacy action. Key messages:**

- **The chemical industry is an enabling industry in terms of climate change solutions.**
- **The ETS needs be enabling too by granting free allocation of CO2 certificates to major large homogeneous chemical processes based on benchmarks (covering 80-90% of emissions).**
- **We propose chemical processes and benchmarks.**
- **Exclude small emitters**
- **We want to discuss solutions for globally competing energy-intensive sectors heavily impacted by the indirect effects of the ETS, i.e. the pass-through of CO2 costs through electricity prices.**



## January Package: ETS Review

### **Action required:**

- Defend principle of **free allocation of CO2 certificates based on benchmarks**
- Submit data to the EC demonstrating the exposure to international competition of the chemical processes.
- Develop EU benchmarks for major processes.
- Take action vis-à-vis **national governments:**
  - Reinforce need for free allocation for chemical processes based on benchmarks.



## Summary

- EC January package is being negotiated in EC.
- Chemical industry to be included in ETS.
- Safeguard focus on major processes and bulk of emissions.
- Conditions of allowance allocation are being determined.
- The EU chemical industry needs free allocation based on benchmarks for safeguarding our sectors' future perspectives in Europe.

**Thank you!**