



**THE EUROPEAN UNION EMISSIONS TRADING SCHEME:
OVERVIEW OF THE SCHEME AND IMPACT
ON THE FERRO-ALLOYS INDUSTRY**

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EUROALLIAGES



OUR ASSOCIATION

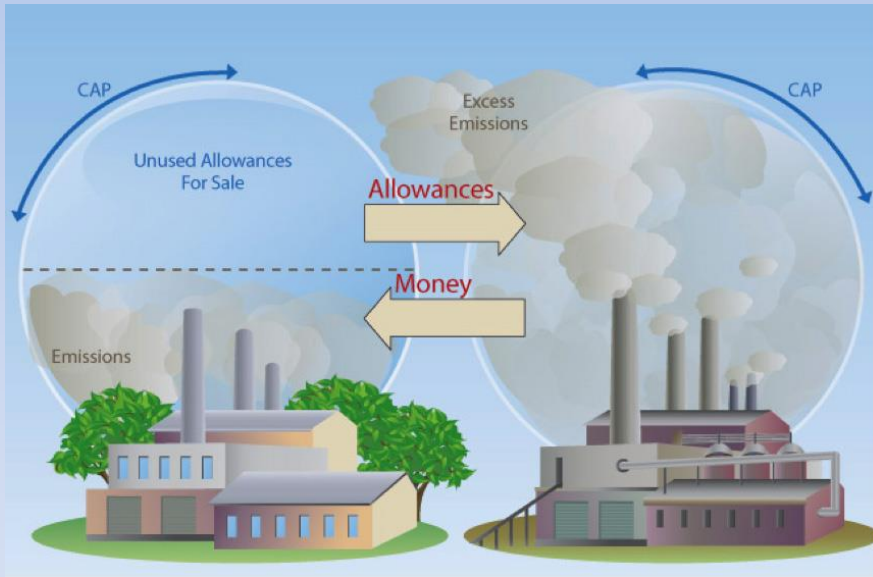
- Association of European ferro-alloys and silicon producers
 - Ferro-alloys: essential raw materials for steel-making
 - Silicon: end users are aluminium, chemicals, electronics and solar
- Membership: 23 companies, operating nearly 50 plants in 14 countries, with 8,000 employees and a cumulative annual turnover around €2 bn
- EUROALLIAGES represents about 95% of ferro-alloys and silicon production in Europe (EU + EEA)

OUR VISION

- A small sector in absolute terms, but **strategic for European economy**
- Importance of the **energy-intensive** nature of production processes

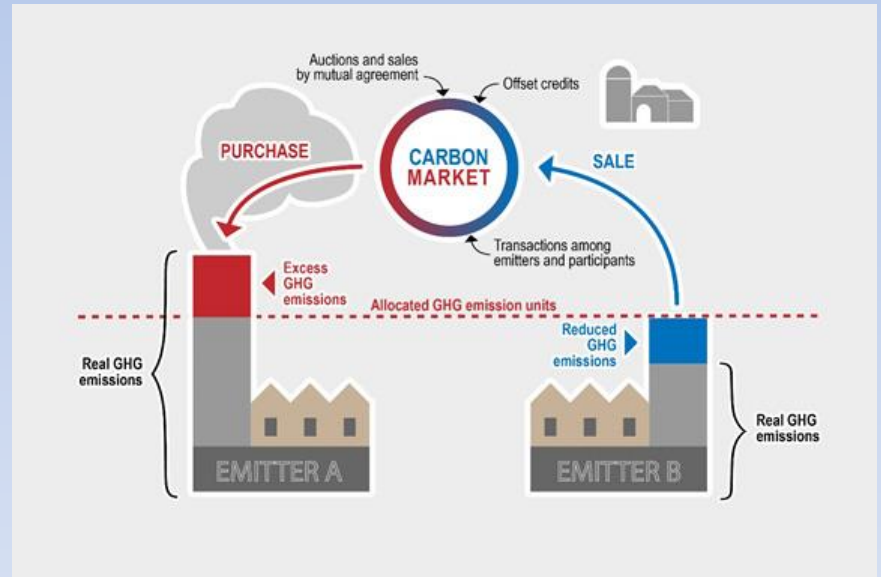
EUROPEAN UNION EMISSIONS TRADING SCHEME (EU ETS): THE PRINCIPLES

What is the EU ETS?



Cap-and-trade system

How does it work?



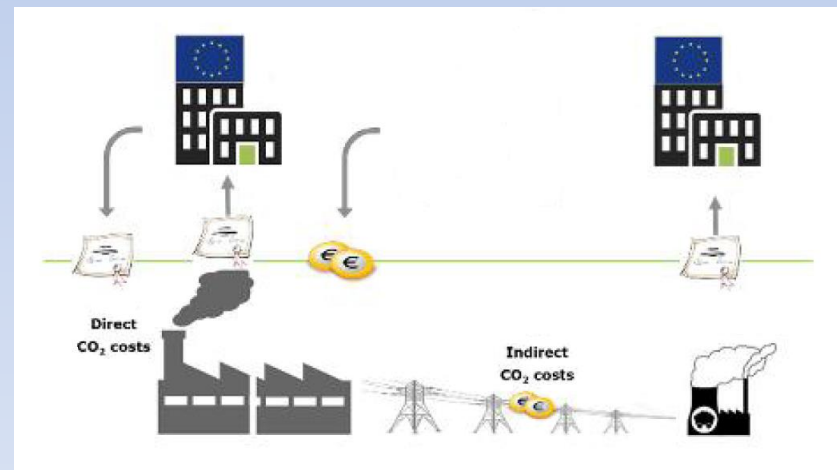
Auctioning vs. free allocation

EUROPEAN UNION EMISSIONS TRADING SCHEME (EU ETS): A DUAL IMPACT

- **Direct impact**
 - Carbon leakage
 - Investment leakage



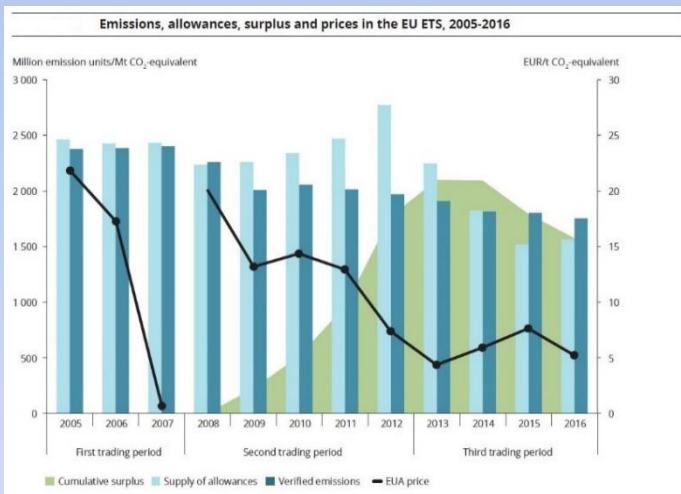
- **Indirect impact:**
CO₂ cost passed in
electricity prices



Source: Ecofys

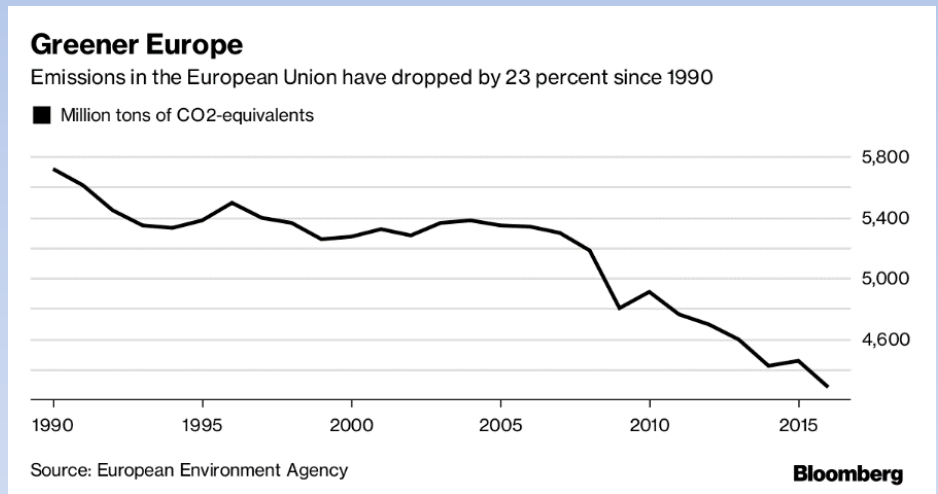
EUROPEAN UNION EMISSIONS TRADING SCHEME (EU ETS): THE CHALLENGES

How has it evolved?



3 phases so far,
from learning-by-doing
to auctioning as the principle

Does it work?

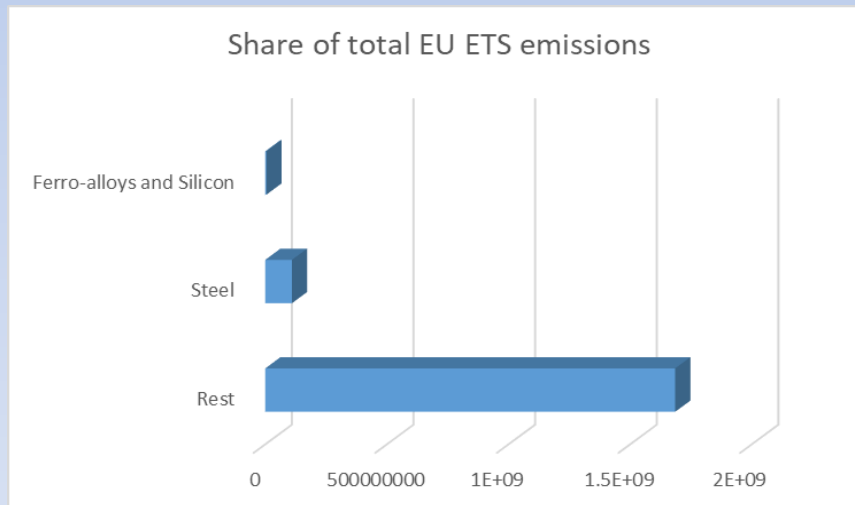


Decoupling of emissions and growth

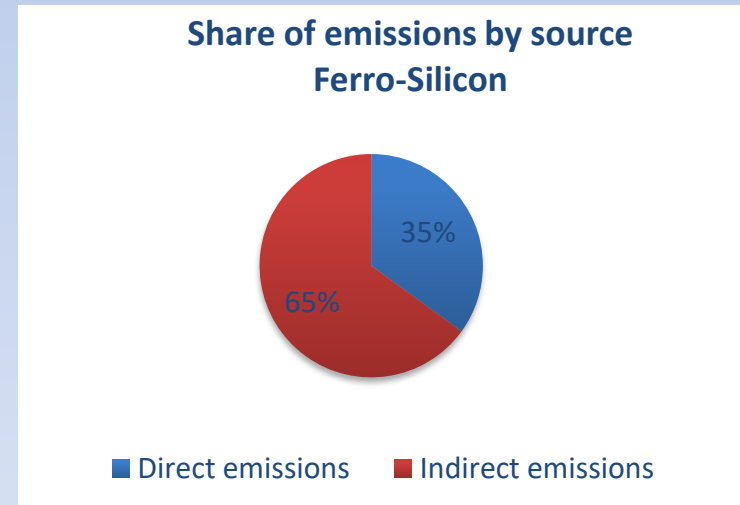
IMPACT ON THE FERRO-ALLOYS INDUSTRY: EXPERIENCE FROM THE CURRENT (2013-2020) TRADING PERIOD

Impact in terms of:

- Cost (direct + indirect)
- Predictability



Source: European Environment Agency, EU ETS data viewer

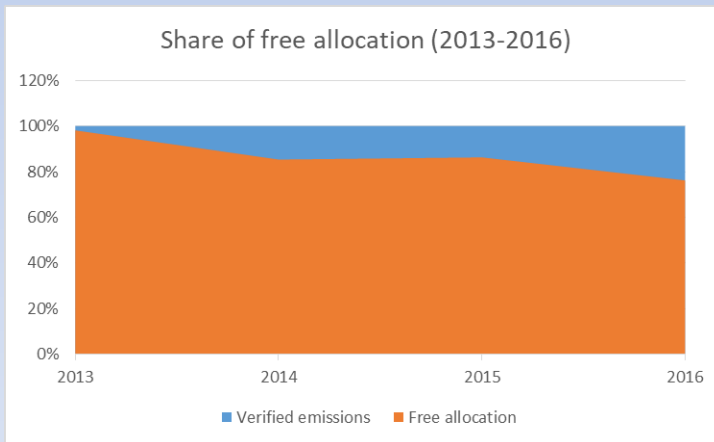


Source: EUROALLIAGES

IMPACT ON THE FERRO-ALLOYS INDUSTRY: DIRECT COST

Ferro-alloys (**observed** 2013-2016)

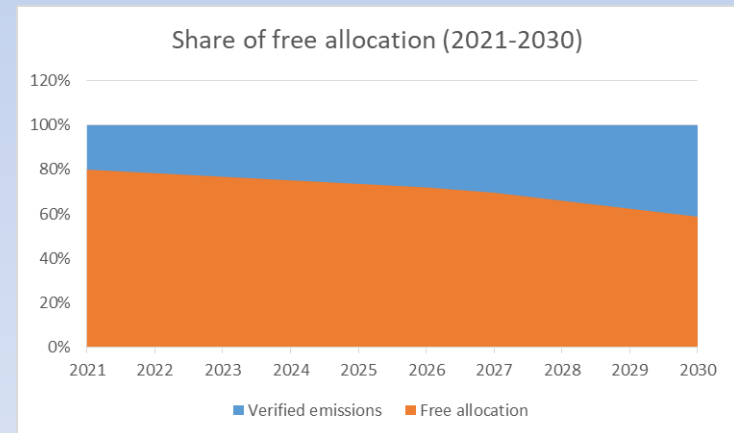
- Extra cost (approximation):
 - ✓ 2015: €1.5 mln
 - ✓ 2016: €2.5 mln



Source: EUTL, EUROALLIAGES

Scenario for ferro-alloys (**tentative** 2021-2030)

- More stringent framework = lower level of free allocation to protect competitiveness
- Carbon price is a central factor

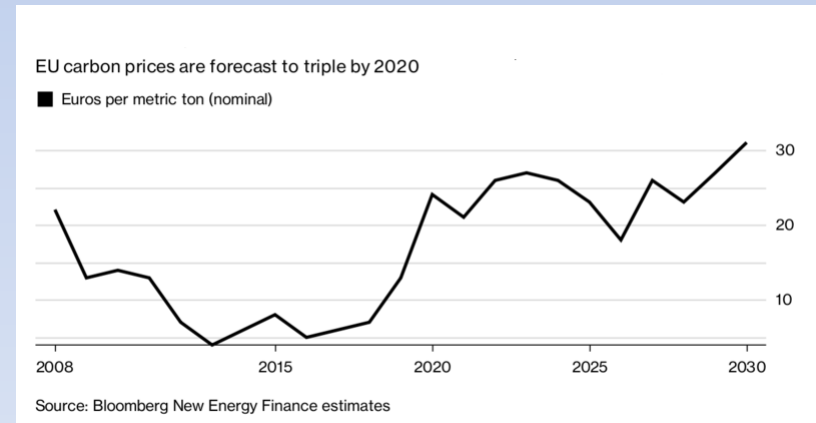


Source: EUTL, EUROALLIAGES

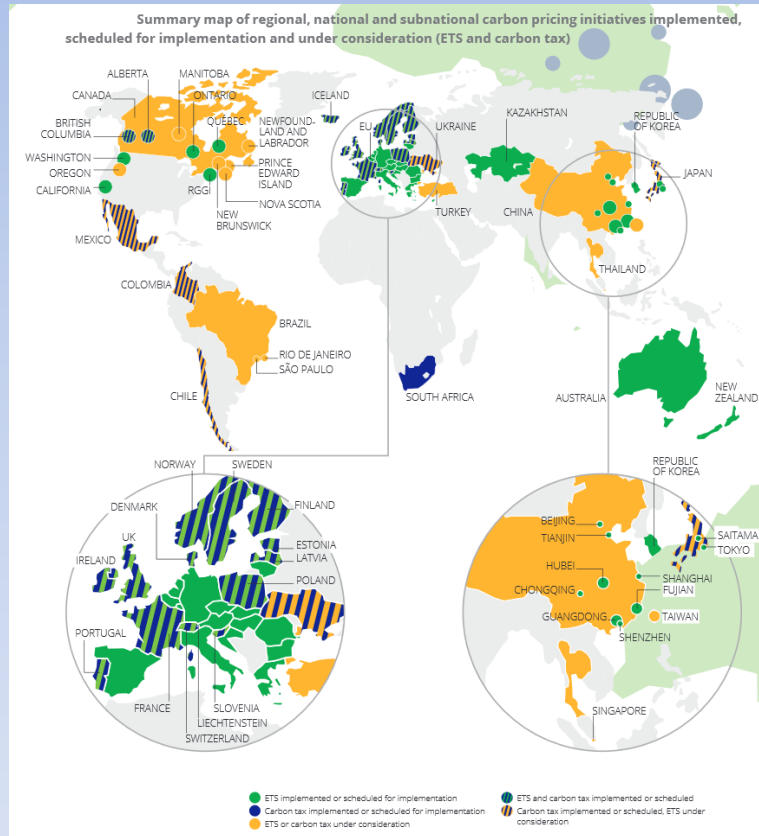
IMPACT ON THE FERRO-ALLOYS INDUSTRY: INDIRECT COST

Indirect cost = CO₂ cost passed into electricity price

- No harmonization of indirect emissions compensation expected after State Aid Guidelines review in 2019
- Carbon price is a major factor



THE EU ETS IN THE INTERNATIONAL CONTEXT



World map of Emission Trading Schemes and carbon tax measures
 Source: World Bank and Ecofys, Carbon pricing watch 2017

CONCLUSIONS

- ❖ The EU ETS puts an important cost pressure on European industry
- ❖ It is all the more true for the post-2020 period: “life or death” issue
 - ❖ Objective “net zero carbon emissions” in the EU by 2050
- ❖ Political will to address climate change at international level...
 - ❖ ... But we are far from a global carbon market



THANK YOU FOR YOUR ATTENTION!

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