

26 June 2006

Mr Stavros Dimas, Commissioner Responsible for Environment
Meeting with UNICE President, Ernest-Antoine Seillière

1. UNICE Priorities

For UNICE, the Confederation of European Business, the European Union should achieve the following political priorities, at the heart of the performance of Europe and citizens' prosperity.

1. Implement the reforms for growth and jobs
2. Achieve integration of European market
3. Govern the EU efficiently
4. Fight against national protectionism
5. Take advantage of the opportunities of enlargement
6. Reform European social systems to make them sustainable

2. High Level Group (HLG) on competitiveness, energy and the environment

- UNICE is pleased to see that the HLG meeting on 2 June 2006 has adopted a first list of clear and detailed recommendations regarding the actions to be taken to integrate competitiveness, energy and environment policies more effectively. It will be important for the Commission to give preliminary information about the follow-up given to these recommendations at the HLG meeting on 30 October 2006.
- HLG's report highlighted in particular the importance of accelerating creation of an open European market for electricity and gas, which is an essential prerequisite for efficient functioning of the European Emissions trading Scheme (ETS). Until this market is in place, it is essential to facilitate access to cost-effective and predictable energy prices for energy-intensive industries.

3. Climate change

3.1 Review of the EU Emission Trading Scheme and preparation of the second trading period (2008-2012)

- The EU Emission Trading Scheme (ETS) must be revised in a manner that makes implementation of the scheme more harmonised throughout the EU Member States, to avoid negative competitiveness implications due to different interpretations of the EU ETS Directive.
- Future emission reductions must be split in a fair manner between industry and other sectors of society. Industry has already made substantial emission reductions and any further reductions come at substantially higher costs. UNICE therefore requests that the number of emission allowances is not dramatically tightened in the second trading period (2008-2012).

- A large reduction in the number of emission allowances allocated would exert upward pressure on the price of emission allowances. Competition being insufficiently developed on the electricity market, it can be anticipated that these high allowance prices would be passed on by electricity producers in the selling price of electricity at a markedly higher level than would be the case in a highly competitive electricity market, with negative economic impact for European industry.
- Emission allowances should not be auctioned, since that will only bring higher costs without additional environmental benefits.

3.2 Development of climate policy post 2012

- UNICE stresses the importance of creating a truly global framework for combating climate change that includes all countries and regions, based on the principle of common but differentiated responsibilities.
- It is essential that every effort is made to persuade the USA to join this new framework for international cooperation. It should be remembered that if the USA does not become involved in this new framework, that will create difficulties for getting China and India on board.
- In order to secure this US participation, it is necessary to develop an alternative methodological approach to Kyoto. UNICE's recent mission to the USA did not identify any change in the US attitude which still rejects the Kyoto methodology.
- Hence, EU climate diplomacy needs to be revised and to demonstrate an openness to *definition of innovative approaches* for combating climate change, rather than continuing to advocate adoption of objectives and timetables for emission reductions by countries which have made it clear that they want to consider other methods for meeting the climate challenge.
- Innovative approaches should be explored on a very wide basis. It is important not only to explore possible new approaches for defining objectives for reducing greenhouse gas emissions. There must also be a comparative evaluation of the European approach (based on definition of objectives) and the US approach which assigns a central role to:
 - accelerated development of new energy technologies;
 - international energy partnerships designed to encourage dissemination of these new energy technologies.
- This technological approach has great environmental potential and will give the USA important economic advantages (in terms of flexibility and technological lead).

- By way of example, accelerating nuclear programmes could put the USA in a position to become a major exporter of electronuclear technologies to developing countries, thanks to development of safe ways of managing nuclear proliferation risks. As a consequence, Europe could lose its current leadership position in this area. Russia could also become a large exporter of nuclear technologies.
- The Commission is conscious of the key role to be played by the new technologies in controlling climate change. However, it considers that these new technologies can only be developed in an environment which comprises clear market signals and a global emissions trading system with mandatory targets. This vision is very black and white. The competitiveness of US technologies could take off dramatically even in the absence of a global emissions trading system, because of government support programmes and diplomatic initiatives.
- The EU must be prepared to play a role in a global cooperation scenario centred on technology. To that end, it must accelerate the Lisbon reforms to strengthen competitiveness in general and scientific and technological competitiveness in particular.
- In this context, UNICE is pleased that Commissioner Dimas has underlined the importance of Europe having a more ambitious energy policy which better integrates the security, competitiveness and environment dimensions, in line with what was decided by the March 2006 European summit.

4. REACH

- Some key aspects of REACH still raise serious concerns for industry, in particular on the authorisation/substitution procedure, as well as on the balance between data transparency and confidential business information.
- During the second reading, decision-makers will confirm their choice on these key aspects and industry urges them to devise a proportionate framework for REACH to be workable in practice for companies. In this context, an essential aspect for industry is that the compromise on authorisation achieved in the Council common position remains as such in the final text.
- But even if these improvements in the text are confirmed, REACH will remain a considerable challenge for European industries, which will have to implement new rules that do not exist in other parts of the world.

5. WASTE POLICY

- The Commission's proposal for a revision of the Waste Framework Directive goes in the right direction in terms of clarifying recovery and disposal operations. However further clarifications are still necessary.
- It is essential that by-products are defined as products and not waste, since they can be re-used and can have a high economic value in further manufacturing. Such re-use by the markets must be encouraged since it contributes to a more resource-efficient sustainable economy and has the potential to contribute to the achievement of a European "recycling society", which is the core aim of the Thematic Strategy on Waste.
- Also, under the current directive, Member States have the possibility of interpreting the definition of waste differently, which has led to distortion of the Internal Market.
