ACTION REQUIRED BY THE EU TO SUPPORT ITS MANUFACTURING SECTOR DURING THE FINANCIAL CRISIS

The financial crisis is having a profound effect on the manufacturing sector in Europe. As such, it is essential that the European Commission act now to help this valuable sector, and the economy as a whole, overcome the crisis. The Alliance for a Competitive European Industry calls thus for the following:

- **Give added momentum to the development of fundamental EU policies**

The crisis reinforces the need for strong EU policies aimed at:

- reinforcing the competitiveness of EU manufacturing industry
- maintaining the open internal market
- ensuring respect of the EU rules on state aid, to avoid harmful subsidy races within the EU.

- **European funds**

Use should be made of European funds such as the EU Social Fund and the EU Globalisation Fund for easing the situation of the manufacturing sector. In particular, action should be immediately taken to improve the accessibility of funding.

- **Ensure access to capital**

Companies and customers must have access to capital and to credit insurance, the lack of which is paralysing the export capacity of certain sectors. Measures and financial instruments should therefore be implemented at EU level to reduce the pressure on companies and ensure their ability to operate. Boosting the economy as widely as possible should also be envisaged to tackle the strong reduction in demand.

- **Fight protectionism**

In order to avoid harmful subsidy races within the EU, Member States must resist all forms of protectionism and fully comply with Community rules on state aid. Likewise, the EU must act at all possible levels to protect EU operators against WTO-illegal measures taken by competing countries to protect/support their own economies.

- **Recovery plans should focus on smart investment and infrastructure**

EU and national financial support should be increased to maintain investment in research and innovation, which are vital for competitiveness. Investing in all types of infrastructure (such as transport infrastructure, telecommunications networks and power generation facilities) is key as this may help revamp the economy in the short term, whilst making Europe more competitive in the long term. It will also provide jobs and, in relation to power generation, security of supply.

- **Do not increase the regulatory burden**

Already today, European companies have to comply with highest regulatory requirements. We recognise that the climate protection agenda will lead to new regulatory initiatives. In other areas, new policy proposals should be scrutinised against the impact on cost for industry and alternatives elaborated or the project put at a standstill to avoid additional burden at this time. For example, the proposals for IPPC (Integrated Pollution Prevention and Control) legislation must be reworked. Serious questions are raised by industry on the idea of introducing an EU trading system for SO_2 and NO_x, which could limit production and therefore growth and jobs.

- **Cost-efficient implementation of the energy and climate package**

The implementation of the package (ETS ...) must truly maintain the competitiveness of manufacturing industry. Energy efficiency policy must be prioritised and lead to concrete measures promoting in particular energy efficient buildings.

The individual views of the sectoral associations which make up the Alliance for a Competitive European Industry can be found below

ACEA

The European automotive industry is severely hit by the financial and economic crisis. Vehicle production has fallen by 28.3% in the 4th quarter of 2008, whereas new passenger car and commercial vehicle registrations have continued their negative trend with a decrease of 26.9% and 35.9% respectively in January 2009. The European Union is currently failing to address the situation appropriately, with the risk of the crisis becoming deeper and being prolonged. Member States have taken individual measures, but coordination is clearly missing.

Commission Communication on the crisis in the European automotive industry:

- ACEA welcomes that the Communication recognizes access to finance, stimulating demand and government help on the social costs of output adjustment as key to weathering the crisis. However, the text lacks concrete next steps to ensure that these urgent needs are met. Instead, the Communication concentrates on measures already taken or planned before. Proposals made on investment in innovation and research have no effect on the current crisis, as they go along with lengthy and cumbersome application procedures. Moreover, the text does not mention of the Free Trade Agreement with South Korea which, should it be signed as proposed, would severely hurt the competitiveness of the European automotive industry.

What is urgently needed from the EU:

- **Access to liquidity** is central for the industry. The measures taken to support the banking sector have not led to a functioning financial system. Therefore the industry needs assistance with access to credit, both for OEMs and for suppliers, as well as low-cost government guarantees and low-cost funding.

- The **European Clean Transport Facility** is a welcome first step in this context, but the level of funding needs to be raised to € 40 bn over four years in order to meet the demand. Moreover, the current crisis warrants much quicker decisions on applications for funding, i.e. within 2-3 weeks instead of 2-3 months. The level of intervention should be increased to 75% instead of 50% as well. In the current crisis, more flexibility on guarantees also needs to be provided.

- **Demand and fleet renewal** need to be stimulated in a coordinated manner across the EU in order to safeguard a level playing field and the functioning of the internal market. Fleet renewal schemes have proven to be successful in some Member States for certain manufacturers, but the Commission should also analyse the possibility to use EU financial sources for such measures.

- The **Globalisation Adjustment Fund** is an important tool to share in the social costs of output adjustments. The Commission proposal for changing the rules of the fund is much welcome and needs to be adopted by Parliament and Council as soon as possible.

- Finally, ACEA fully supports the conclusion by ACEI that **further costly regulation** should be **postponed**, adding that respect for better regulation principles is more important than ever. These have been outlined very precisely for the automotive sector by the CARS 21 process.

CEFIC

The economic crisis is affecting the chemical sector in an unprecedented immediate and profound manner, hitting especially base chemicals, polymers and specialty chemicals, due to collapsed demand from key downstream sectors such as construction and automotive. SMEs in particular, already facing increased costs stemming from the implementation of REACH, are seriously affected. The conclusions and recommendations of the High Level Group on the Competitiveness of the European Chemicals Industry open perspectives for the long-term viability of our industry. Given the scale of the crisis the European economy is facing, we must ensure now, however, that the short-term difficulties will be overcome and that the necessary investments can be made to secure the future of our industry.

While several measures of the Economic Recovery Plan are implemented by Member States, we believe it is essential that the Commission brings its own direct contribution through the instruments that the Commission has responsibility for, first and above all European policy development, support to Research & Innovation and European regulation.

- **Ensure that companies continue to have enough working capital**

  Measures such as accelerated repayment of VAT taxes, tax credits for R&D and especially public authorities respecting payment deadlines to suppliers can reduce pressure on "working capital". Innovative measures are also required to put an end to the credit squeeze on suppliers. Furthermore, government sponsored training in the workplace for employees can instill the necessary confidence for workers that they will not face unemployment and can at the same time improve their skills.

- **Make sustainable development an integral part of the European Economic Recovery Plan**

  The EU's environmental policy should focus on the optimal implementation of REACH and ETS in collaboration with stakeholders: no new initiative leading to additional burden on companies should be envisaged. Where stringent legislation exists in other areas, new policy proposals should be scrutinised against the impact on cost for industry and alternatives elaborated or the project put at a standstill to avoid additional burden at this time.
  Authorities at EU and Member State levels should adopt more cost effective implementation measures for existing legislation. Given the huge costs that REACH already entails for the chemical industry, the Commission/ECHA should relieve the burden by a significant reduction of the fees, which appears appropriate given the high number of pre-registrations, and by a phased payment of the fees, which would ease SMEs cash flow difficulties.
  The implementation details of the ETS directive should be worked out in order to maximize the effect of the flexibility introduced in the directive for energy intensive industries (allowing the chemical industry in the broadest sense to benefit from free allocations based on realistic benchmarks).

- **Energy efficiency related measures and green cars**

  It is high time to accelerate the translation of the EU's energy efficiency policy into concrete and radical measures which will not only benefit the construction sector and the chemical sector as key solution providers, but also the consumer and the environment. The same applies for green cars where chemical industry can provide a great contribution to reduce fuel consumption (e.g. light weight plastics, better tires, more efficient propulsion systems).

- **Innovation**

  Innovation is the main competitive advantage of the European chemical industry. Securing a sustainable future for this industry requires that investment in innovation is maintained, more than ever in the current economic circumstances.
  Financial support is needed to promote sustainable innovations through demonstration projects (pre-competitive); a better balance is required between research funding and pre-competitive demonstration; this is especially important for multi-technology projects with the engagement of several industry sectors. In current and future research frameworks the selection criteria should be

adapted to allow for support of demonstration projects and the EU and Member States should increase financial support to demonstration projects (in their pre-competitive phase) to bring sustainable innovation to the market.
Moreover, in line with the priorities established by the EU Technology Platform SusChem, FP7 resources allocated to chemistry – either directly or indirectly through other programmes (such as new materials..) should be increased from 2009 onwards, in order to allow existing projects or pre-projects (e.g. Smart Energy home, F3 Factory, Biomass4Five) to be completed but also new projects to be launched.

- **Infrastructure and road transport**

  As identified in the report of the High level Group on the Competitiveness of the European Chemicals Industry it is important to improve the logistics infrastructure within, and between chemical production clusters. Closing the missing links in the European Olefins pipeline network would also reduce pressure on road transport.

CEMBUREAU

- The cement industry is both energy intensive (with energy cost of over 35% of total production cost) and capital intensive (€ 150 M per million tonnes of annual capacity, i.e., 3 years of turnover, with correspondingly high costs for modifications). The credit crunch and the ensuring difficulty to have access to finance imperil even the largest cement groups headquartered in Europe, in their worldwide activities. Those find it difficult to refinance their-short term debt. At the same time, the construction market is collapsing in some Member States and declining in most others.

  In addition to tackling the credit problem, the European Commission should seriously consider how encouraging the construction of infrastructure may help revamping the economy in the short term while making Europe more competitive in the long term. Some inspiration could be drawn from *Growth, Competitiveness, Employment: the Challenges and Ways Forward into the 21st Century - White Paper COM (93)700, December 1993.*

- The construction sector can also contribute to save energy and mitigate climate change. The recasting of the Energy Performance of Buildings Directive is a step in the right direction, not the Ecolabelling of construction products which would not guarantee energy efficient buildings and structures. Additional steps should be taken to encourage the development of energy efficient structures through closer cooperation with industry (e.g. through the thermal mass of concrete and the design of buildings).

- Whilst the key issues of ETS and REACH will be maintained and implemented as top priorities for the EU, attention must be given, in the dire economic circumstances we are presently facing, not to add unnecessary burden upon the manufacturing sector in Europe.

  We fail to understand why DG Environment has recently commissioned a study with ENTEC for the purpose of determining "how" (not just whether) a NOx and SO2 cap & trade system should be introduced next to the IPPC process (ENV.C.4/SER/2008/0019). On 4 May 2007, an overwhelming majority (quasi unanimity) of stakeholders, when consulted, took the view that the introduction of such cap & trade mechanism was unnecessary and unwanted. Less than two years later, the idea is resurrected as a solution to the problematic NEC Directive. The ENTEC study is intended to substantiate the forthcoming Impact Assessment but the conclusion is already written.We find it unacceptable that the Commission is presently considering such proposal which will limit production, i.e. cap growth and jobs, at a time when the European manufacturing sector is struggling to survive.

CEPI

In times of unprecedented financial and economic turbulence, the European Institutions must review their policy strategy and go **beyond "business as usual".** The EU legislative program must be challenged and programs such as the Lead Markets Initiative and research and innovation must be enhanced and multiplied.

- The European Pulp & Paper Industry is subject to much more stringent environmental requirements than its global competitors. **Introduction of new requirements in environmental legislation must be postponed.**
  New environmental requirements entail new investments for which decisions have to be taken now. In the present situation, companies are not able to take such decisions. Therefore, IPPC revision and related BREFs (Best Available Technology references) should be delayed. Initiatives on NOx and SO2 cap & trade system should be stopped. Sustainable consumption and production should work for benefiting European companies with good environmentally performance instead of creating constantly new environmental product criteria for only some materials/product groups.

- Implementation of **the ETS Directive for Phase 3 – 2013-2020 – must not add unjustified burden to the European industry while achieving the intended goals.** The European pulp & paper industry is exposed to global competition and at risk of carbon leakage. Granting 100% free allowances to European pulp and paper industry would free much needed financial means (up to 5 billion euro) for investments for growth and carbon reduction. The definition of the benchmark rules must ensure fairness and level playing field across the European industrial sectors. There is an opportunity to maximize the flexibility introduced in the final text, and appropriate services in the Commission must have a more relevant role in bringing in a competitiveness dimension.
  An international agreement on climate change must ensure the equivalent quantitative targets and measures for competing sectors.
  In parallel to the ETS Directive implementation, the Energy Tax Directive is being revised and could result in double taxation for some sectors, including the pulp and paper industry.

- The EU Commission **must deploy all its trade instruments to fight protectionist measures by competing countries.** The EU is an open market for global trade of pulp and paper, but does not have access to a number of its counterparts. Indeed some countries are introducing new and higher import duties, while others, such as China, seem to be dumping their products in the European market. The Russia import duty on wood, unilaterally undermining all previous international agreements, is also a barrier to trade and an obstacle to access to raw material.
  The Commission must also be strict and more efficient in board controls in relation to imported products not compliant with EU rules.

- **Competition rules have the potential to be adapted for more flexible approach**. For example, they have been adapted for state aid for environmental purposes. Without changing the laws, the principles can be interpreted and applied at the light of current economic conditions, for example the impact of market concentration, agreements and other areas. In declining markets, big and strong companies are needed. Commission guidelines for crisis situations could be developed

- European biomass policies supporting the goals for energy security and climate change mitigation distort the raw material market for the pulp and paper industry. Solutions should focus on **increasing sustainable production of biomass and aim to minimize distorted competition** – disproportionate subsidies and tax measures and supply guarantees – between different users of biomass.

CIAA

- **Accelerate measures on support of Innovation for Food and Drink companies**

<u>The Revision of the Novel Foods regulation</u>
The **following areas need to be further looked at** to ensure that the competitiveness of the food and drink industry is maintained and that SMEs, in particular, can in the future benefit from simpler procedures, thereby encouraging their investment in innovation:

- Establishing a more explicit link between a novel food authorisation and the applicant company.
- Providing appropriate transitional mechanisms for pending novel food applications.
- Ensuring an operable relationship between the Novel Foods and Health Claims Regulation.
- Introducing a simplified notification procedure for foods and ingredients with a history of safe use, such as foods and ingredients that have already undergone an approval procedure, but which are intended to be used in a novel food.

<u>The lead market initiative</u>
The food and drink industry driven **Vision to a Lead Market Initiative (for Food)** should be supported.

The food and drink industry needs a **focused R&D programme** which will address the issues which both help and hinder the development of innovative new products with genuine nutritional benefits for consumers in the EU.

<u>GMO, in particular LLP (low level presence)</u>
The global use of GMO crops, which have not yet been approved in the EU, is increasing considerably. The current zero tolerance policy for EU-unapproved GMOs, although these have been approved in other countries according to Codex plant guidelines, will have considerable consequences for the food and feed sector.

It is **imperative to allow a low-level presence of GM events**, approved in the exporting country, although not yet approved in the importing country. Such a solution must **imperatively apply to both food and feed.** Thresholds must be set at a level allowing variations in sampling and testing methods.

- **Imbalances in the F&D supply chain (manufacturers, especially SMEs versus retailers)**

<u>The functioning of the food supply chain: the position and buying power of food retailers in the food chain</u>
In order to promote a proper and optimal **functioning of the entire food chain** the Commission should pay particular attention to **the positions of large retailers and/or buying groups** in Member States of the EU.

The recommendation expressed by the European Parliament in its written declaration 88 of 2007 on **"investigating and remedying the abuse of power by large supermarkets operating in the EU"** adopted in February 2008 should be given appropriate follow up.

The Commission and national competition authorities should carefully examine how various actors in the food chain operate and address competition issues:

- The **definition of "dominance"** when applied to retailer positions in procurement markets;
- The way retailers apply their near-dominant positions in day-today commercial practice (e.g. unilateral and/or retrospective adaptation of commercial terms);
- The position of **buying alliances**.

Grossly unfair commercial practices
There is an urgent need for a **framework for fair business-to-business relations** between industry and retail in order to enhance discipline as regards grossly unfair contractual terms and practices. . Companies producing for retailers private labels are facing particular pressure and many complain about the absence of brand visibility towards the consumer

"Grossly unfair commercial practices" need to be disciplined in a more effective way than what is offered by the current late payments Directive. This should include both **formal and informal ways to avoid abusive contractual clauses in commercial relations**, and abnormal practices or informal agreements (absence of control on services rendered, payments for promotional services, discounts and premium, blind tenders….).

The European Commission **Communication on the Monitoring of the Retail Sector** scheduled for 2009 should consider the different means through which certain practices that are a threat to companies, in particular to SMEs, can be addressed and resolved.

Offer solutions to companies that are producing retailer private labels and chose to be visible to consumers.

- **Access to credit for food and drink companies**

  Access to financial services (loans and obtain bank guarantees) is the **main problem faced by the food and drink industry** as a direct effect of the **current economic crisis**. Banks are obviously more risk averse but they are not distinguishing between the different manufacturing industries, while the risk may be less in the food sector as opposed to the other sectors.

  The food and drink industry does have **some specific needs due to the seasonality of supply and demand**, which can create peaks and troughs in income. However, banks do not necessarily understand this pressure. Also, food and drink companies often face difficulties in maintaining suppliers and service providers, e.g. IT and packaging.

  There is an urgent need to set up **measures to counter the withdrawal of trade credit insurance**, not only for SMEs but also for larger companies.

EURATEX

The unprecedented economic and financial crisis we are facing has severely impacted the textile and clothing industry with order books and production falling by double digits since October 2008. At the same time this sector is one of the hardest hit by third countries decisions to shelter their local industry from competition.

Overall, Euratex supports the Commission Recovery Plan but urges the Commission to use all the financial means at his disposal to inject them into the economy quicker than planned, in particular for innovation and R&D activities under FP7, to instil dynamism and positive thinking in the economy. In addition all measures aiming at improving public and private demand should be actively and visibly promoted at EU and National level. Apart from the above, Euratex would also insist upon the following measures:

- The major adverse effect of the current demand driven economic crisis on the EU textile and clothing industry, largely dominated by SMEs, is the lack of access to credit insurance which is paralysing our export capacity within and outside the EU and the related issue of access to credit despite claims from the banking sector.

  For ***credit insurance*** we need the establishment of a European system of credit insurance guarantee by which an EU based company, irrespective of the sector concerned, could obtain an additional guarantee by the EU institutions in case of reduction of the credit limits and/or in case of their withdrawal by private credit insurance. This "*complementary credit insurance system*" should be provided through financial instruments/institutions like EIB, EBRD, ECB, overseen by the Commission, at market terms and for a temporary period until the market has stabilised. EURATEX is confident that such a measure will immediately improve the short term financial capacity of the SMEs.

As far as access to credit is concerned, the main question is linked with the longstanding issue of the Basel II Framework which is jeopardising the efforts of SMEs to finance their activities in particular in sectors like the textile and clothing industry. Any flexibility included in the review of the risk-based capital framework for trading activities should be pursued.

- As a practical step the Commission should ensure that the *implementation of the **revised** European Globalisation Fund* as proposed in December by the College of Commissioners becomes reality as a matter of urgency.
- It is also <u>crucial</u> to ensure wherever possible that <u>no</u> existing regulation or <u>initiative at EU level will create additional cost to companies</u> at this crucial moment in time (i.e. Reach, IPPC, ETS, Ecolabelling…). Delaying the implementation of such measures implying today costly investments to comply with future rules as companies face severe liquidity problems will improve their financial capacity.
- Our companies do their utmost to respect all the legislation applied in the EU but we do see growing number of products that are not in conformity with the existing legislation. A better and more effective *border control* should help the industry.
- Commission should *scrutinise* thoroughly state aids regimes for rescue and restructuring companies within and outside the EU as well as the measures taken by WTO members to protect their industries (borders tax, subsidies, etc.) and act against them with vigour and determination if those are considered illegal.

EURELECTRIC

The credit crisis has, and will have, a strong impact on the European Industry including the *electricity industry*. Less demand for electricity limits the capacity of this industry to renew in period where major changes are needed. The building of an integrated European market requires investments in interconnectors. The climate change issue requires investments in carbon capture and storage, and new generation assets. The decentralized generation and intelligent demand side management call for new investments in distribution grids, such as smart meters, and an infrastructure for electrical cars.

For a competitive European electricity market based on carbon-neutral electricity production by 2050, handling electricity in an intelligent way, major investments are needed in:

- Generation assets including CCS
- Distribution grids and
- High Voltage grids

EURELECTRIC proposes to consider the following steps:

- **Invest in new generation capacity and CCS**

  Ensuring access to capital for power generation investment, for example via state-guaranteed loans, and loans by EIB, EBRD etc.

  - 300 GW new power capacity needed by 2020; also, new technologies must be demonstrated, especially CCS
  - Ensuring access to capital will contribute to supply security
  - It will also provide jobs, as constructing power capacity is labour-intensive
  - It will ease the pressure on power prices for all customers

- **Invest in smart distribution grids**

Distributed generation and intelligent use of electricity requires smart metering, which is the basis for a smart grid. This is only possible if regulators allow European companies a reasonable return on these new investments. The Commission could consider that constructing built smart grids in the recession period which will create jobs. This has to be done in all member states and will create an infra structure with value for the next generations.

The Strategic Energy Review shows the huge potential in decreasing carbon emissions in road transport because it emits nearly one fourth of total carbon dioxide emissions. Therefore the EU should make better use of the Green Car Initiative to foster new environmentally friendly car concepts like electric vehicles. In order to integrate both the balancing load from electric vehicles and small-scale renewable generation the EU should help making the European distribution grid smarter by facilitating research projects and help funding pilot projects.

- **Build high voltage interconnectors between the different member states**

  Both the current shortcomings in the internal electricity market and the challenges of the 2020 targets highlight the urgency for investments in interconnection capacity.

  On one side the integration of electricity markets is proceeding at a slower pace than desirable: without enhancing new cross-border transmission capacity markets will remain mainly national, without sufficient liquidity and competition, thus limiting the socio-economic welfare benefits than liberalisation can deliver.

  On the other side, the massive development of new wind generation, traditionally distant from where the existing grid and consumption centers are located, will demand a much higher level of interconnection of European grids in order to transport surplus of electricity supply where it is needed and, at the same time counterbalance higher intermittency and unpredictability of the future generation mix.

- **Delay the implementation of the industrial emissions directive (IED)**

  Both the IPPC and the Large Combustion Plant (LCPD) have only just entered into force – it is too soon to revise them. It will be expensive for a limited environmental benefit.

  Many old plants will close in 2015 as a result of the LCPD: the proposal will close much more (including some in which companies are investing to bring them up to current standards – risk of “stranded assets”).

  Danger of “supply crunch” in 2016 (i.e. the lights go out): only short-term solution, build gas – this will risk security of supply and lock carbon into the system for another 20 years.

  Better to delay implementation until 2020 with derogations for existing plant.

EUROFER

The current crisis is one of demand and the steel industry is impacted heavily. The following are our recommendations for immediate action.

Short term measures to increase liquidity

- EU Governments and the ECB should consider following the example of the Federal Reserve Board in the US and set a similar type of Commercial Paper Funding Facility (CPFF). The ECB should provide a liquidity backstop to companies issuers of commercial paper through a special purpose vehicle (SPV) that will purchase three-month unsecured and asset-backed commercial paper directly from eligible issuers;

- EU Governments should request banks to increase credit facilities for our customers so orders can be placed. EU governments should urgently introduce schemes to underwrite and increase the availability of credit insurances. The increasingly risk-averse attitude of the credit insurers is becoming a major impediment to trade;

- Implement the stimulus measures in a non bureaucratic way and ask the ECB to refinance the stimulus plans.

Support for research and development

- Boost support for the development of new technologies to address climate change.

Avoid or reduce the administrative burden on EU industry

- Resist the temptation to introduce new initiatives or policies which would increase the already heavy bureaucratic burden on industry;

- Ensure that implementation of the ETS Directive for phase 3 of the trading period does not result in additional burdens on industry.

Protectionism

- A level playing field on trade is crucial. At a time when EU companies are restructuring and reducing supply in order to bring it into line with reduced demand, it is essential that there is a strict enforcement of the EU trade laws, especially on on-going cases;

- The Commission must vigorously contest all protectionist measures, including the use of tax policy to stimulate exports, by our major trading partners, notably China, India and Russia, which is aimed at closing their markets while promoting increased exports to Europe.

EUROMETAUX

- The announced adjustments in the state aid rules need to be made as fast as possible in order to make it possible for member states to develop a **system of full cost compensation for the indirect effects of the current ETS,** also for sectors which are not (yet) covered by the EU ETS. Under the current conditions, waiting for 2013 to act would condemn 2/3 of primary metals production in Europe. Closures have already started for that reason!

- Even if they are of a long-term effect, measures to improve the functioning of the electricity market need to be developed and accelerated. Of more immediate effect is the issue of **long term contracts** where it is critical to have clear support from the Commission (as requested in the conclusions from the High Level Group on Energy, Environment and Competitiveness) for determining how such contracts between buyers and sellers should be established. The current attitude of DG COMP is a significant obstacle towards providing stability and security for base-load consumption and production of electricity. Most existing contract in the non-ferrous metals industry will terminate shortly and the continuation of activities largely depends on the possibility to renegotiate such contracts.

- A strong reduction in demand is the main cause for commodity prices drop (much faster than production costs) and resulting current problems. It is therefore very important that the EU and the member states implement coordinated policies that can help stimulate demand in general. **The measures already engaged for a certain number of sectors should be extended to boost the economy as widely as possible.** Without falling in the protectionist mood, it is necessary that EU considers actions taken by competing regions to avoid detrimental consequences for the sectors of the EU economy that face international competition.

- **EU must act at all possible legal levels to protect EU operators against WTO-illegal measures** (Borders Tax Adjustments, subsidies) taken by competing countries to protect / support their own economies. In particular, action toward WTO against the large number of export taxes applied in China needs to be taken without delay.

EUROPIA

The current economic crisis is affecting the Oil Refining Industry as well. The forecasted European oil demand in 2009 is expected to drop by 4% while in 2010 a further reduction of 2% is envisaged. The refinery margins already hit very low - if not negative - levels in March 2009 compared to the average from previous years. In this economic climate, it important to ensure competitiveness of the European Industry, including the refining sector which is key for security of energy supply in Europe. Therefore, EUROPIA would suggest to implement cost-efficiently the climate and energy package, and to refrain from adding new regulatory burden in environmental legislation on industrial operations.

Climate policy:

Particular attention should be directed towards negotiation of an international agreement with the aim of not imposing uneven and unfair constraints on the European industry. Any such agreement should be duly scrutinised with the support of the industrial sectors to assess potential implications on competitiveness. The target of 20% reduction should in no way be increased to 30% before this careful assessment is completed.

The ETS Directive will be implemented only in 2013, when the economy should have recovered. However, in the same way, the implementation of the ETS Directive should be cautious, so that it does not impose - through unduly stringent benchmarking - a burden that free allowances were designed to alleviate. We strongly support the need to maintain a fair and transparent treatment of all sectors in the design of benchmarking methodology, as expressed in the common letter of 14 industrial sectors, under the lead of the Alliance for a Competitive European Industry. The amount of efforts being currently put in collecting figures and data to prepare for the benchmarking should not be underestimated.

IPPC and NECD:

Like most industrial sectors, the Refining Industry is very concerned by the Commission proposal for a revised IPPC Directive. We fear it will introduce a rigid system for setting permits for our industrial operations, a system which is not justified as a pan-European measure.

The proposed EU-wide emission limit values for large combustion plants will lead to substantial costs for many sectors, and these costs are not justified in terms of benefits to human health. Such EU-wide limits are in contradiction with the Commission's goal based principles of Better Regulation, in particular in reducing air pollution. Moreover, the proposal, if adopted, would impose some very costly constraints on the Member States' options for conducting their air quality policy. It would therefore give a wrong starting point for a subsequent revision of the National Emissions Ceiling Directive (NECD).

For refineries, these limits are particularly troubling since they have been developed assuming the use of commercial fuels. As refineries typically do not use commercial fuels, but internal by-products, many refineries would not be able to comply without either very substantial investments in energy and CO2 intensive conversion technology, that they may not be able to afford, or by switching to natural gas as fuel, thereby increasing the EU dependence on imported gas. Either route would also lead to a deterioration of the competitive position of European refining industry.

SOx and NOx TRADING:

With regard to the proposal of SOx and NOx trading, in line with most sectors, EUROPIA expresses some scepticism. The effects of SOx and NOx are largely local and a pan-European SOx and NOx trading system will probably either ignore this local character, and therefore contradict the philosophy of the Thematic Strategy on Air Pollution, or will become extremely complex to implement. The Commission is currently conducting a study of this issue. In view of the widespread industry scepticism, EUROPIA would recommend that the results of the study are opened to careful and thorough stakeholder review before any legislative proposals are contemplated.

ORGALIME

Orgalime's industry provides the enabling technologies to all other sectors of industry as well as a range of consumer goods. For our industry:

- Manufacturing competitiveness must remain the cornerstone of EU's industrial and economic policy: we need to continue to have today and in the next Commission an industrial policy agenda, which puts manufacturing competitiveness back at the centre of the policy agenda.
    - In the short term we would ask for the suspension or postponement of directives which trigger obligations to undertake non-productive investments such as the revision of the WEEE and RoHS directives and for the prolongation of the application time of certain implementing measures under the EuP directive.
    - As Orgalime, we are very supportive of the European Commission's Factory of the Future Initiative and recommend a fast track implementation of a JTI (Joint Technology Initiative). Speed is of the essence.

- The climate change agenda is an opportunity to drive growth, innovation and investment in the EU. The energy agenda can provide a positive stimulus for our industry if regulation quickly adapted focuses more on :
    - modernising trans-European energy interconnections
    - aggressive energy performance targets for buildings
    - energy efficient public lighting and management systems
    - energy efficient urban and suburban transport schemes.

  16 more measures are proposed in the Electra report undertaken jointly with DG Enterprise and Industry under the Co- Chairmanship of V.P. Verheugen and Orgalime's President in 2008.

- Free and fair trade in the internal market: most of our products are basically regulated under the "New Approach" directives and use the manufacturer's declaration for conformity assessment purposes. Products from any origin which respect our EU legislation can be put on the market with simple conformity assessment procedures. Such a system requires effective market surveillance which can only be provided by public authorities and must be underpinned by a leading edge metrology system (preferably developed under Article 136 of the EC Treaty) It is essential to create a level playing field in the internal market, with better market surveillance and comparable market surveillance practices between member states. In this area, we would like to see the Commission effectively driving member states to respect their market surveillance obligations.

- The liquidity of the financial markets is a major concern to our companies.

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