BUSINESSEUROPE

9 July 2009

MR DIMAS, EUROPEAN COMMISSIONER FOR THE ENVIRONMENT

MEETING WITH BUSINESSEUROPE DELEGATION ON 9 JULY 2009

BUSINESSEUROPE COMMENTS ON SOME KEY ISSUES OF ENVIRONMENTAL POLICY

1. Implementation of the revised EU Emission Trading Scheme (ETS)

European companies support action to combat climate change and are themselves committed to doing their share. Emission trading can lead to cost-efficient reductions of greenhouse gas emissions. However, the implementation of the revised ETS Directive must seek to prevent negative direct and indirect effects on business competitiveness in the absence of an international agreement with equivalent burdens for all industry outside Europe.

Overall, the draft list of sectors “exposed to a significant risk of carbon leakage”, which was presented on 1 July and is to go in inter-service consultation this month, is endorsed by European industry as it uses a good and pragmatic methodology, although important concerns persist in some particular (sub-) sectors. BUSINESSEUROPE calls on this good work to be continued in the upcoming setting of benchmarks for free allocation. Benchmarks must be set at a level that effectively prevent carbon leakage. Their levels must aim for neither more nor less than 21% emission reduction by 2020 as agreed in the Directive.

We also call for work to start soon on defining the conditions that will allow small installations to opt-out of the ETS. SMEs need clarity whether they have to prepare for the revised ETS or not.

In the further implementation of the ETS Directive, we urge the Commission to involve industry – and in particular the industrial sectors concerned – in a well-structured, fair, transparent and predictable comitology process with the overall aim to protect the competitiveness of EU industry. This process should allow individual industrial sectors to present their specific cases to the relevant comitology committee of the Commission.

2. International Climate change negotiations

The international climate conference in Copenhagen will be a decisive meeting for reaching an international post-2012 climate agreement. An international agreement must further stimulate EU investment and provide opportunities for EU companies in the research, development and deployment of existing and new technologies. It must not put at risk the future competitiveness of European industry and needs to provide for a global level playing field.

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Therefore*, all* developed countries must commit to binding emission reduction targets that are equally strong in terms of quantitative reductions and financial efforts needed. This equivalence is not ensured with the current proposals on the table by countries like the US, Japan or Russia. It is positive that, at the Green Week 2009, Commissioner Dimas has underlined that this is an issue that needs to be solved.

Advanced developing countries must commit to setting their own binding emission targets which lead to limiting the rise in their GHG emissions in 2020 by 15% to 30% below "business as usual" projections.

Sound international competition for industry needs to be safeguarded on a global level. A process must be started so that eventually industrial sectors exposed to international competition have equivalent emission targets worldwide.

European companies contribute substantially to the financing of climate change mitigation and adaptation in the world through the auctioning of a considerable part of the emission allowances under the ETS, as well as through UN offset mechanisms such as the "Clean Development Mechanism" and "Joint Implementation". The EU must ensure that no further financial burdens are imposed on European industry as discussions on international financing mechanisms evolve.

3. BUSINESSEUROPE Climate Change Conference on 28 October 2009

To underline its commitment ahead of the Copenhagen conference, BUSINESSEUROPE will organise, on 28 October 2009, a conference to discuss the twin challenge of economic and climate crisis ahead of the UN climate conference in Copenhagen in December. The conference will unite high-level speakers from politics, industry, NGOs and academia from the EU but also from our major international partners.

4. REACH – reduction of registration fees

European business is fully determined to meet the greater responsibility placed on its shoulders to increase knowledge about the risks of chemical substances. Industrial producers and users of chemical substances have engaged in an unprecedented effort involving mobilisation of considerable company resources to fulfil REACH obligations. For instance, the basic costs in steel industry for the implementation of REACH carry a price tag of €100 million.

In the current financial crisis context, it is vital to find solutions for reducing the REACH related costs. For BUSINESSEUROPE, this can be done without jeopardising the whole REACH implementation process.

There are good arguments for considering that REACH related revenue will greatly exceed European Chemicals Agency's operational requirements in the short term, if not in the medium term. Registration fees have been set on the basis of assumptions about chemical substances to be registered. Experience with the pre-registration phase has shown that the number of substances pre-registered was significantly underestimated. The European Chemicals Agency (ECHA) received about fifteen times more pre-registrations than expected. It is foreseen that the same may be true for the successive registration phases. This means that ECHA is likely to receive much more resources than initially planned.

BUSINESSEUROPE calls for two complementary approaches to be implemented for reducing the burden of REACH related costs:

On the side of Commission/ECHA:

The Commission/ECHA should both reduce the level of the fees and introduce staggered payment possibilities. These measures are likely to result in savings of around €200 million for industry in the first years of registrations.

The fact that some uncertainty exists regarding the precise timing for collection of the REACH fees in 2010 should not be an argument against lowering/staggering fees. To ensure full budgetary security, the option of an increased Community subsidy to ECHA should be considered.

On the side of the Member States and of the European Investment Bank (EIB):

Member States should introduce wider tax depreciation possibilities for REACH related expenditures.

At the moment, the EIB is forbidden to grant loans to projects that involve animal testing. This provision should be revoked, to facilitate granting of REACH related loans.

5. The need to support manufacturing industry during the financial crisis

The need to lower the REACH fees is only one example of key measures for supporting manufacturing industry during the financial crisis. Recommendations for other such measures have been presented by the Alliance for a Competitive European Industry (ACEI) to President Barroso in a note dated 13 March.

Already today, European companies have to comply with highest regulatory requirements. The ACEI recognises that the climate protection agenda will lead to new regulatory initiatives. In other environmental 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. ACEI sector members are willing to provide the Environment Commissioner with data on benefits and costs avoided in case of redesign of some legislative initiatives.

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