

**Brussels, 11 July 2008**

## **Commission proposal for an amendment of Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC**

On 23rd January 2008, the European Commission submitted the abovementioned proposal on amendment of the directive on an EU-wide Emission Trading System (ETS). European mechanical, electrical, electronic and metal articles industries represented by Orgalime generally support the Commission's ambition to generate well-balanced EU-wide initiatives on climate protection, as well as initiatives on the sustainable use of resources.

Our industries are ready to contribute to the realisation of the EU's 2020 energy and climate change objectives and are undertaking pro-active in initiatives related to energy efficiency (please see Electra report "*Twenty solutions for growth and investment to 2020 and beyond*" available at <http://ec.europa.eu/enterprise/electr/equipment/electra.htm>).

With a view to the European Institutions further proceedings on the Emission Trading proposal, however, Orgalime wishes to raise the particular concern of an expected increase of administrative burden and costs for SMEs that, if finally approved, would discriminate against SMEs, while these are not responsible for a significant share of emissions. This has been confirmed by the study "Review of EU Emissions Trading Scheme - Inclusion of additional activities and gases into the EU-emissions trading scheme" carried out by Ecofys on behalf of the European Commission, i.e.: Chapter 3.3 "Assessment Step I - CO<sub>2</sub>-Sectors", Page 15 reads as follows:

*"Due to the specifically large number of medium to small installations in the subsequent ferrous metals processing were not taken forward to the second assessment step. Inclusion of such activities at least for installations located at integrated steel plants has advantages as it provides increased cost-effectiveness for these plants as a whole. Most secondary manufacturing industries (except food/drink) were not included, due to the very large amount of small emitters and low emission shares."*

Against this background Orgalime seeks the support of European regulators for two modifications in the proposal:

- **A modification of the term "combustion installation" and no obligation to aggregate combustion installations above 3 MW**

It is important to have a common and harmonised definition of the combustion installations included in the directive. However, the term "**combustion installation**" given in recital 28 and art. 1 no. 2 c) of the proposal results in a radical expansion of the system, since this broad definition would also mean including other combustion installations of the processing industry in the ETS than those mentioned in annex I, category 2ff of the proposal. This, however, contradicts with the findings of the above mentioned study that concludes that one should not require combustion installations of the processing small- and medium-sized industry to implement the CO<sub>2</sub>-Trading-System (see above quote). Also, the limitation to combustion installations with a rated thermal input exceeding 20 MW is insufficient to exclude SMEs from the ETS, as the rule of accumulation leads to an aggregation of all combustion installations with a rated thermal input exceeding just 3 MW. We propose to abandon the rule of accumulation and thereby balance the proposal by placing the emphasis on major pollution sources.

*Orgalime, the European Engineering Industries Association, speaks for 35 trade federations representing some 130,000 companies in the mechanical, electrical, electronic, metalworking & metal articles industries of 23 European countries. The industry employs some 10.6 million people in the EU and in 2007 accounted for some €1,813 billion of annual output. The industry not only represents more than one quarter of the output of manufactured products but also a third of the manufactured exports of the European Union.*

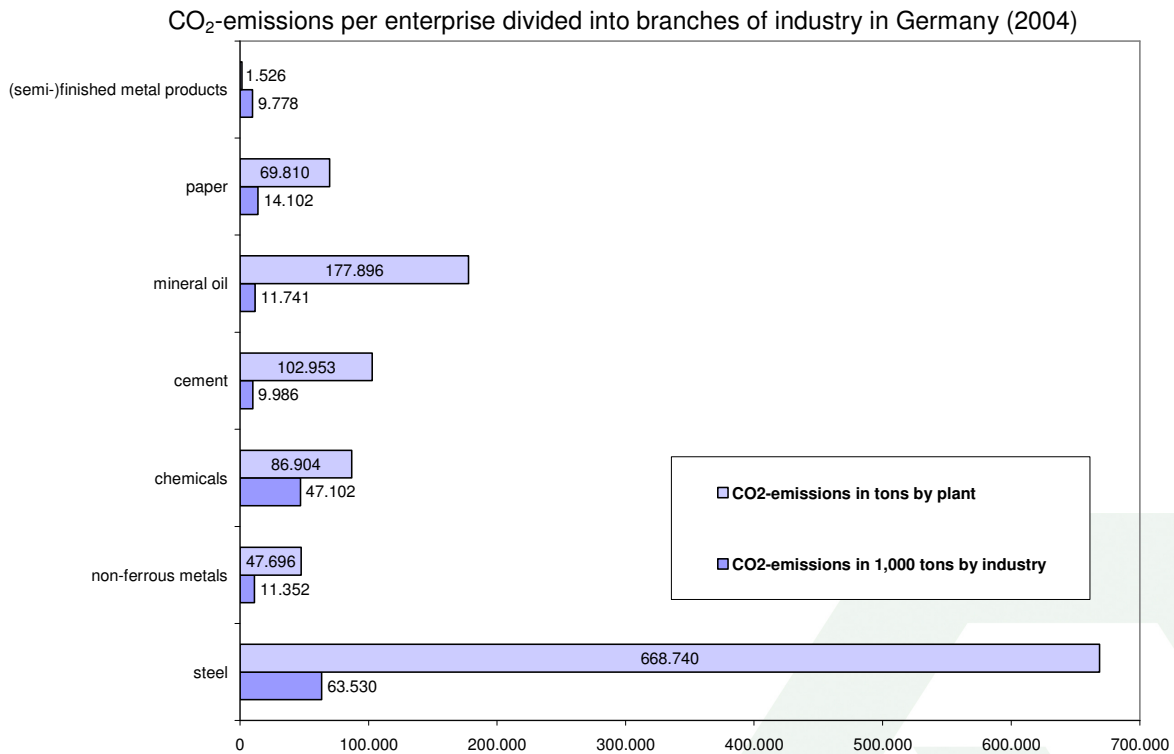
Therefore, emitters of less than 25.000 tonnes of CO<sub>2</sub> per year should be opted out. Also, the present definition of combustion installation should be replaced by the following: “*Combustion installation means any stationary technical unit in which fuels are oxidised producing heat or mechanical energy or both that is delivered to third parties or other installations nearby.*”

- **A rewording of annex I no. 2 to clarify the exclusion of combustion installations of the processing small- and medium-sized industry**

For the time being, the indefinite wording in annex I no. 2 provides no explicit answer that installations of the steel and metal treating industry would be exempted from the requirements included in the ETS proposal. For legal certainty, we propose to clarify in annex I no.2 that installations of integrated steel plants would be affected by the proposal, while installations of SME for further processing would not.

The Emission Trading System (ETS) is seen as a feasible instrument to primarily set further incentives on CO<sub>2</sub>-avoidance in reference to large enterprises. Nevertheless, the Commission’s proposal is in our view expanding the ETS by too far an extent to small- and medium-sized industries. In practice, this expansion means that thousands of small-sized and micro enterprises will have to learn the complex ropes of the ETS. Required personnel and financial expenses, that are of no consequence in larger enterprises, will lead to a disproportional burden on small- and medium-sized enterprises (SME) while studies acknowledge that the environmental impacts are low.

SMEs of the metal working industry do not belong to the large emitters of CO<sub>2</sub> or any other greenhouse gases. This has, for example, been confirmed for Germany by the „Statistisches Bundesamt, Erhebung über die Energieverwendung der Betriebe des verarbeitenden Gewerbes sowie des Bergbaus und der Gewinnung von Steinen und Erden, Berichtszeitraum 2003/2004“:



The implementation of the ETS in these businesses would in our view be disproportionate, and would also conflict with the intention of reducing CO<sub>2</sub>-emissions, since valuable financial and human resources would be spent in areas that would not promise significant environmental benefits.

Orgalime hopes that regulators will begin to really apply the “Think Small First” principle, shaping the draft directive in a way that would not overburden SMEs without proven gains for the environment and thereby arrive at a sustainable directive on ETS.