



Glass Alliance Europe input to the Public Consultation on the Revision of the ETS Directive.

8 November 2021

Glass Alliance Europe (GAE), the European Alliance of Glass Industries, welcomes the opportunity to provide feedback on the Commission proposal to review the Emission Trading Directive (ETS).

Given the 4,000 characters limitation, this input will focus on the main elements. A more elaborated position paper is attached to the contribution.

Ensuring cost-effectiveness

GAE supports the objectives set in the Climate Law, but stresses the importance to achieve these objectives in the most cost-efficient manner. In this context, all measures aimed at increasing the carbon prices without affecting the climate ambition are unnecessary slowing down the transformation of the EU industry (which face a huge challenge as they need to reduce their CO₂ emissions by 61% between 2005 and 2030). This is e.g. the case for the rebasing (one-off cancellation of allowances) and the strengthening of the Market Stability Reserve (MSR).

Addressing Carbon Leakage

In order to achieve this ambitious reduction target, industry will have to invest massively in low-carbon technology. However, the high carbon prices, and the lack of a level playing field with non-EU regions, makes this extremely challenging. It is therefore essential to reinforce the existing carbon leakage protection measures as long as no global carbon pricing system exists. This can be done by applying the following measures:

1. The Cross-Sectorial Correction Factor (CSCF) needs to be avoided. To ensure this, the 3% flexibility between auctioning and free allocation shares needs to be increased. This is largely possible, since the impact assessment on the 2030 targets acknowledged that the abatement potential of the power sector (which is the historical reference of the auctioning share) is much larger than energy intensive industries' (i.e. 70% vs. 22%).
2. In the same spirit, allowances in the MSR could be given to industry to avoid the CSCF instead of being cancelled.
3. The ETS secondary legislation should be revised to take account of the impact of the COVID crisis. According to the current rules, free allocation for the period 2026-2030 will be based on the average production levels in the period 2019-2023. This will penalise EU companies which had unrepresentatively low production in 2020 due to covid pandemic. Other reference years should be used to calculate the Historic Activity Level.

4. Should a CBAM be introduced, it should co-exist with free allocation. From a legal point of view, the co-existence of free allowances and a CBAM under the EU ETS umbrella can be WTO compatible.

See the legal study by AEGIS Europe:

<https://static1.squarespace.com/static/5537b2fbe4b0e49a1e30c01c/t/60ec0a57e370ac6322a86209/1626081879682/AEGIS+Europe+-+CBAM+WTO+Legal+Analysis+-EXECUTIVE+SUMMARY+-KS+and+NCTM+-+Confidential+3+June+2021+REV.pdf>.

The consistency with WTO rules can be achieved by treating importers and EU manufacturers on the same footing, requiring importers to only buy allowances above the benchmark levels.

5. As electrification is one option for the glass industry to decarbonise, it should be added in the list of sectors eligible for indirect compensation.

Supporting industry to transform

Setting ambitious climate targets will not be enough to succeed in decarbonising our society. Public authorities should also massively invest in renewable energy (green electricity, Hydrogen, biomass) and infrastructures as this is not in the hands of industry.

More financial support is also needed for industry to invest in low-carbon technologies. GAE therefore welcomes the increase of the Innovation Fund, but is of the opinion that this increase should mainly come from the auctioning revenues, and not from the free allocation share (as proposed by the Commission) because that makes the introduction of the CSCF more likely.