BUSINESSEUROPE

Mr. José Manuel Barroso
President
European Commission
B-1049 Brussels
BELGIUM

8 January 2014

Dear President, dear Mr. Barroso,

Industrial competitiveness and the 2030 climate and energy package

We understand the new set of actions for industrial competitiveness and the 2030 climate and energy package should both be published in January. It is essential that the two initiatives are developed in a consistent and complementary manner.

Under your leadership, we have seen a real change of emphasis in Commission approach concerning the importance of industry as an indispensable basis for a solid European economy. The industrial policy initiatives that your Commission has taken over the recent years have shown your personal commitment.

However, as we indicated to you on previous occasions, we are still too often faced with Commission initiatives that undermine our industrial competitiveness. Europe faces an "investment leakage" trend, with new investments in manufacturing sectors increasingly taking place outside Europe notably because of the high costs impact of energy and climate policies.

Ahead of important decisions giving substance to a new European approach to industrial competitiveness, it would be extremely damaging if the Commission proposed simultaneously a communication focused on how to improve our competitiveness and a climate and energy package containing measures undermining that goal.

The purpose of this letter is to urge you to ensure that this climate and energy package is fully compatible with the imperative need of strengthening our industries and restoring Europe as a place for industrial investment. Otherwise, the credibility of the European commitment to industrial competitiveness will be undermined.

When it comes to a renewed energy and climate policy, we would like to highlight the following main issues:

1. After a series of wrong signals, such as on the C-factor, we must strengthen carbon leakage protection otherwise this would have immediate and serious consequences for industrial investments in Europe. In particular, for legal certainty purposes, the reference value has to remain at € 30 per ton of CO_2 as it is based on that assumption that investment decisions are/were taken. It is crucial the ETS is allowed to run its course until 2020 achieving its CO_2 emission reduction target at the least cost while maintaining current protection of industries under the risk of carbon leakage.

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In the longer-term, full compensation through free allocation based on benchmarks must allow the most efficient companies to be globally competitive without being penalised by indirect and direct carbon costs. Real/recent production levels – combined with realistic benchmarks – should be considered as an option for the allocation of free allowances in order to avoid problems deriving from over and under allocation.

2. The EU should move away from the three overlapping targets (CO_2 emissions reduction, renewable and energy efficiency) to a single 2030 CO_2 emissions reduction target approach implying appropriate efforts on renewable and energy efficiency. Instead of mutual reinforcement, the three overlapping targets cause inefficiencies, lead to additional regulatory burdens and increase energy prices. Industrial electricity prices have increased by 37% in the European OECD members between 2005 and 2012 while the corresponding change in the US was minus 4%.

3. The appropriate level of ambition of the EU's CO_2 emissions reduction target by 2030 needs to be fixed with great caution. While BUSINESSEUROPE strongly advocates for a climate deal by 2015 ensuring a global level playing field and supports a 2030 CO_2 target whatever the outcome of the international climate negotiations, we think it is essential the EU engages into these international negotiations in a more realistic and adaptable way than it did in the run-up to the Copenhagen Conference.

   The target must be realistic. The unilateral emissions reduction targets by 2030 envisaged by the European Commission would, once again, place the EU as an isolated frontrunner continuing rising its level of ambition while it hasn't delivered the expected comparable efforts by our main global competitors. Any target proposed by the Commission must be consistent with its industrial policy goal.

   In any cases, the target must be adaptable to future international developments. To avoid the negative consequences of unilateral decisions, the EU should take into account the outcome of the 2015 climate agreement before finalising EU legislation on the 2030 CO_2 target.

For BUSINESSEUROPE and its member federations, what will be at stake in the Commission January proposals is the future of industrial investment in Europe. Companies expect strong support from the Commission. We are willing to work with you to set a coherent framework and we count on you to align it with the competitive needs of our European industry.

Yours sincerely,

Emma Marcegaglia
President

Markus J. Beyrer
Director General