Mr Petr Nečas
Prime Minister
Office of the Government of the Czech Republic
nábřeží Edvarda Beneše 4
118 01 Prague 1
Czech Republic

17 May 2013

Dear Prime Minister,

We the signatories contact you in view of the debates on the EU's future energy & climate change policy at the European Council meeting on 22 May.

Tackling Europe's current energy price challenge and the design of the EU's 2030 energy & climate change framework will be key for remaining competitive and for supporting a re-industrialisation of Europe. In particular so, as Europe is clearly losing ground as a location for industry vis-à-vis our main competitors. Europe is the only global region still in recession and its medium-term growth potential is low (with a GDP gap of 1-2% p.a. compared to the US), while productivity is declining in international comparison. The share of technology intensive sectors is also declining in Europe and on top European industry is facing rising energy costs (in the US costs for electricity and gas are at 20-30% of costs in Europe).

Our federations therefore call for an overhaul of Europe's energy and climate change policy - built on current experiences and responding to new challenges - along the following principles:

1) **Further progress on the completion of the EU's internal energy market and on upgrading Europe's energy infrastructure is necessary and offers potentials for energy consumers. However, even a full completion alone will not solve Europe's energy price challenge.** Experiences show that till now steps towards the completion of EU's energy market have not automatically resulted in lower prices for households and businesses.
2) The focus of policymakers on price-related drivers should be corrected. The approach that high energy costs will incentivise innovation, investments in new technologies and CO2 mitigation increasingly proves to be harmful. Instead energy and climate change policies should **take into account international cost-competitiveness for energy-intensive manufacturing industries**, as the backbone of Europe's economy. In this regard **add-on energy costs for industry** (e.g. from ETS, taxation, RES support schemes, tariffs) **must be reduced.** In parallel a **progressive European low-carbon technology strategy needs to be pursued**, stimulating investments, innovation and technology deployment by making use of innovative financing mechanisms.
3) **The energy and climate change commitments in place till 2020 must not be altered.** Instead of ad-hoc interference in the current framework (see for instance "backloading" proposal for interfering in the ETS), a 2030 framework shall be elaborated in order to guarantee long-term predictability for investors from both manufacturing and energy suppliers. For the 2030 framework a **re-adjustment of the triple goal of the EU's energy and climate change policy** is needed. Sustainability concerns have dominated in recent years, now **competitiveness needs to be re-emphasized** for the EU's 2030-framework.

4) **Policymakers should refrain from adopting binding unilateral commitments such as a 40% CO2 reduction target for 2030** (as suggested by the European Commission by referring to the reduction path of its politically not adopted Low-carbon Economy Roadmap). Instead **a potential reduction target has to be conditional on international commitments, must be flexible as to respond to economic developments** (e.g. by means of a "moving target"), and be built on realistic technological potentials.

5) We support the ETS as a central instrument for CO2-emission reductions. Yet post-2020 adaptations should be considered, in particular taking into account the special role of energy intensive industries. Also the expansion of renewable energy is being supported in principle. However, renewables support schemes should be designed cost-effectively with the aim to move technologies swiftly to market maturity (preferably, support schemes are being harmonized EU-wide on the medium-term and by setting definite phase-outs). In any event, **negative impacts of contradictory energy and climate change instruments must be removed.**

6) **We must not separate energy-intensive industries and so-called "green industries". Growth requires having industries along the whole value chain in Europe**. Our economies will not bear the loss of core industries as green industries alone will not make up for losses in jobs and value creation (energy-intensive industries are often key actors for green growth themselves, e.g. by their investments and employed specialists & engineers).

We trust in your support and hope that you will take our concerns into consideration during the upcoming debate among you and your colleagues on this fundamental issue for European industry.

Yours faithfully,

Christoph Neumayer, Director General
IV - Federation of Austrian Industries

Davor Majetic, Director General
HUP - Croatian Employers' Association

Stanislav Kázecký, Vice-President for Foreign and EU Affairs
SPCR - Confederation of Industry of the Czech Republic

István Wimmer, Secretary General
MGYOSZ - Confederation of Hungarian Employers and Industrialists

Mihai Manoliu, Secretary General
ACPR - Alliance of Employers' Confederations in Romania

Peter Molnar, Secretary General
RUZ - National Union of Employers of Slovakia

Jože Smole, Secretary General
ZDS - Employers' Association of Slovenia

This letter was sent in copy to the Heads of Government of Austria, Croatia, the Czech Republic, Hungary, Romania, Slovakia and Slovenia.