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## **EU'S ENERGY INTENSIVE INDUSTRIES PAID TO POLLUTE, SAYS NGO**

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EurActiv (9 April 2018)

Instead of pursuing real decarbonisation plans, energy-intensive industry in the EU has managed to turn pollution into profit, Climate Action Network Europe said in a study published 9 April.

According to the NGO, the EU's energy-intensive industries take advantage of three different levers: an excessive number of free allowances under the EU Emission Trading System (ETS), extremely generous tax breaks and fiscal support from European governments.

Climate Action Network Europe (CAN) describes itself as Europe's largest coalition working on climate and energy issues. It represents 140 member organisations from 30 European countries.

### **Cash-grab**

Rather than paying for its pollution under the EU Emission Trading System, the energy-intensive industry is able to make a cash-grab through a combination of exceptions under the scheme, the study reads.

A blatant example are the windfall profits from excess emission allowances that industry actors initially receive for free amounting to over  billion during 2008-2015, while EU governments have missed out on  billion in revenue due to free allocation of pollution permits during the same period of time.

Around 45% of the European Union's output of greenhouse gases is regulated by the Emissions Trading System, the bloc's flagship policy to tackle global warming by charging for the right to emit carbon dioxide (CO<sub>2</sub>).

The ETS caps the emissions of around 12,000 power plants, factories, and airlines, forcing them to surrender one carbon permit for every tonne of carbon dioxide emitted annually by the end of April of the following year.

But the EU's cap-and-trade system suffers from too many permits, which makes it inefficient.

### **Parliament rubber-stamps EU carbon market reform**

European lawmakers voted in favour of a deal to reform the EU's carbon market after 2020 on

Tuesday (6 February), as well as bolstering prices in the blocs flagship tool for reducing greenhouse gas emissions.

The study came after new data released on 3 April showed EU carbon market emissions rising for first time in 7 years in 2017.

Dave Jones, a power analyst at the British NGO Sandbag who analysed the data, called the rise of emissions worrying. The build-rate of wind and solar is not sufficient to rapidly decarbonise the power sector, especially as electricity demand increases and nuclear plants close, he said.

### **Citizens pay with their health and lives**

According to the study, energy-intensive industries receive large tax breaks and nearly 100 billion worth of fiscal support, which the NGO coined as fat cat subsidies.

It cites Germany as the most striking example: Households (in Germany) pay nearly twice as much for their electricity as energy-intensive industry sectors with total financial gains from tax schemes amounting to over 100 billion in 2016, roughly the same as the 2017 German federal budget for research and education.

The on-going support from European governments in favour of the energy-intensive industry takes a toll on citizens health, Climate Action Network Europe argued.

As a result of these subsidies to energy-intensive industry and its delayed action on decarbonisation, citizens pick up the bill for climate change and air pollution, it said and added:

Each year 231,554 Europeans die prematurely due to air pollution, almost a quarter of which comes from energy-intensive industry, and health costs amount to at least €215 billion.

### **Falling behind China**

Parallel to its impact on public health, subsidies and insufficient emission reduction targets have a negative economic impact, CAN said, arguing they give energy-intensive industries little incentive to innovate and decarbonise.

It is falling behind competitors in other regions, like China, who are investing heavily in innovation and the upgrade of their industry and starting to compete in high-value segments formerly led by the European industry, it said.

The firms say they need these subsidies in order to prevent carbon leakage, the transfer of the same industrial activities to less regulated countries in order to avoid the costs associated with the EU carbon market.

This was the argument used by the German industry that led the European Commission to approve in 2013 Berlins support schemes which allow industries such as steel and cement makers in Germany to be compensated for higher electricity costs resulting from the EU ETS. The scheme started running in 2014 and will end in 2020.

But CAN replied that European energy-intensive industries pay less for electricity than many competitors and cited as an example research from German research institutes that shows German energy-intensive sectors pay roughly 25% less for electricity than their Chinese rivals.

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Kaynak/Source: