



CEPS Carbon Market Forum
EU ETS track record: outcome
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EU ETS – our experience so far...

- EU ETS entered its third trading period on 1 Jan 2013; the chemical sector is now fully covered by the system.
- About 100 BASF installations in Europe are now included.
- However, BASF power plants were already covered by the system and will now have to purchase 100% of their allowances.
- BASF supports emissions trading as a true market instrument. The current carbon price shows that EU ETS meets the EU goal of a 20% reduction in greenhouse gas (GHG) emissions at a cost-effective price.
- The recession together with the overlap with other carbon related policies like renewables and energy efficiency have resulted in an imbalance of allowances. COM has proposed a temporary measure the so-called ‚back-loading‘ to counterbalance.
- BASF is against unrestricted market interference as it will undermine carbon market trust and.

Carbon competitiveness of BASF in Europe

Avoided emissions BASF group: 3.7 Mio t CO₂e/a

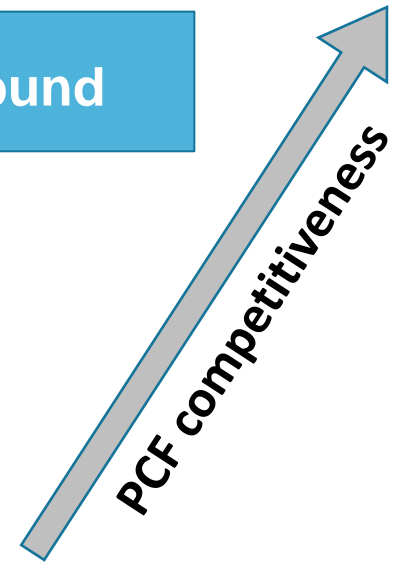
Energy Verbund

Avoided emissions BASF group: 2.4 Mio t CO₂e/a

Energy generation based on gas-fired CHP plants

EU-ETS benchmark on direct emissions: many BASF plants are better than industrial average

Leading production technology



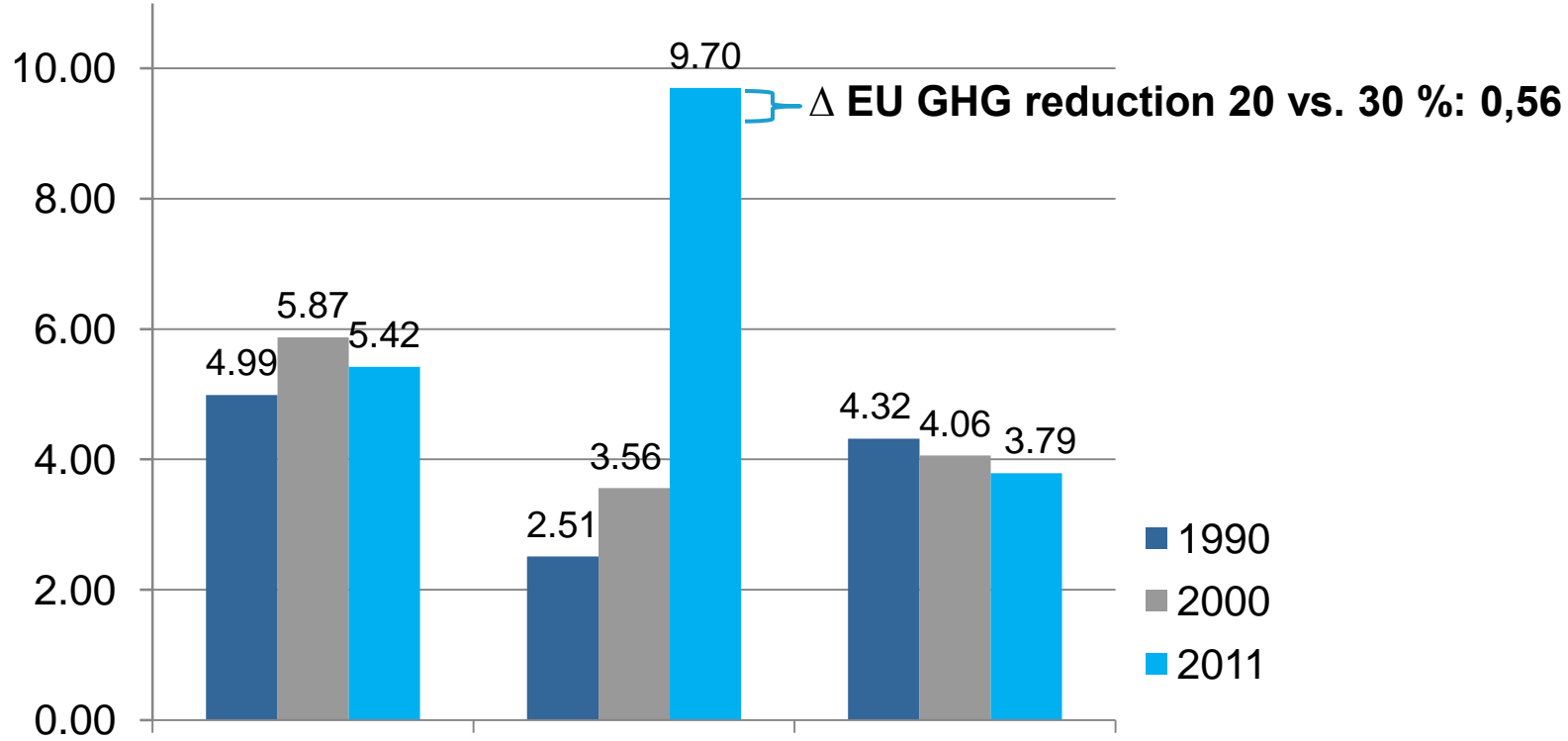
Competitive advantage for BASF:

- lower production costs
- marketing based on low product carbon footprint (PCF) possible

- The intended effect of back-loading or a permanent set-aside is to encourage producers to invest in low carbon technology. The energy intensive industries have already done so: total greenhouse gas emissions from the EU chemicals industry have fallen by 49 per cent since 1990.
- According to the European Environmental Agency (EEA), the European chemicals industry, including pharmaceuticals, emitted in 2009 a total of 147.4 million tonnes of CO₂ equivalent, down from 286.8 million tonnes in 1990. Between 1990 and 2009, production in the EU chemicals industry, including pharmaceuticals, rose by 60 per cent, while total energy consumption and greenhouse gas (GHG) emissions fell by 27 per cent and 49 per cent respectively.
- Permanent set-aside as proposed in the carbon market report as a structural measure would increase the 2020 target unilaterally. Such policies would lock on recession, hinder future EU growth, investment and innovation perspectives - while global emissions continue to rise.
- Instead, ETS needs a proper review for after 2020 addressing better EU and global economic and emission developments.
- We need to consider a sensible and realistic goal for 2030!

CO₂ emissions in USA, China, EU

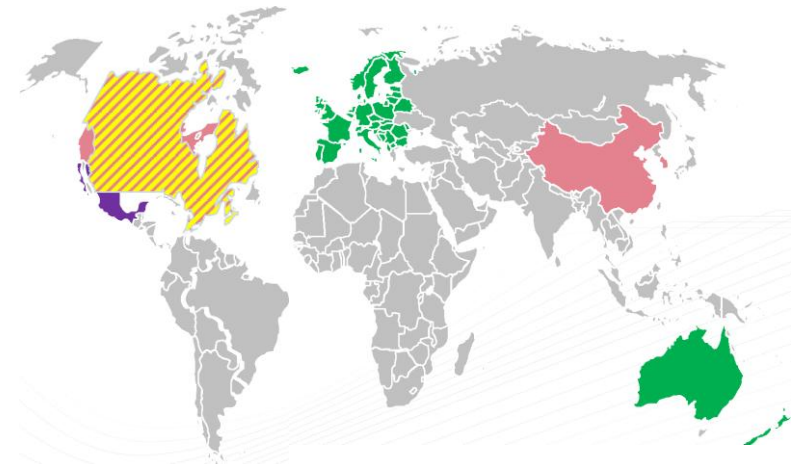
CO₂-emissions per region/country, 1990-2011
 (unit: billion tonnes of CO₂)



	USA	China	EU27
Emissions per capita 2011:	17,3	7,2	7,5

Regionally limited Emission Trading Systems (ETS)

- Regionally limited introduction of an ETS with upper limits for emissions (caps) puts a **one-sided burden** on companies producing products for global markets, since the associated costs cannot be added on to product prices.
- To avoid distortion of competition, **allocation of free emission rights based on reference values** for the GHG efficiency of plants is necessary.
- **Linkage of large regional ETS systems with comparable allocation regimes**, based on common standards for measurement, reporting and verification is a step in the right direction on the way to a global price for carbon.



ETS post 2020: how does it continue?

- ❑ The ETS has proven to be the most efficient instrument to reduce GHG emissions; we have to learn from its strengths and weaknesses.
- ❑ EU ETS focusses on production emissions only, rather than looking at consumption as well.
- ❑ Work in future with relative caps and dynamic allocation (build in flexibility if no global agreement), allow for economic growth for all sectors.
- ❑ Rolling commitment periods of a longer term perspective need to be defined to offer stronger and credible targets to guide investors' decisions.
- ❑ Extend carbon pricing to other sectors such as transport and buildings; otherwise the entire burden of the European climate policy would just be put on ETS compliance companies which represent only 40% of the total GHG emissions in the EU.
- ❑ To make the vision of a low carbon economy a reality, vast financial resources for the EU's Technology and R&D programmes are needed. It must be ensured by the Member States that auctioning revenues are returned to the economy to help de-carbonizing Europe.



**BASF supports ambitious,
ecologically effective and
economically efficient climate
protection.**