12 February 2014

Manifesto sent to the EU Head of States and Governments by more than 100 CEOs representing the EU Manufacturing Industry

Will be presented and commented at the CEOs Press Conference on 27 February 2014 in Brussels ahead of the EU Council meetings of 3 / 4 and 20 / 21 March 2014

We, the undersigned CEO's of Europe's major manufacturing industries, call upon the heads of state and government to adopt a set of measures for Europe which are necessary to align the EU's industry, energy and climate policies and to reach the EU's objectives for a low-carbon, globally competitive European industry, to guarantee regulatory stability, consistency and predictability for industrial investment, innovation, growth and jobs in Europe.

In particular:

- ***Restoring global energy cost competitiveness is of utmost importance for the manufacturing industry.***
- ***This requires structural and urgent measures addressing the whole energy cost structure.***
- ***Energy & Climate policies must be aligned with the Industrial Renaissance objective.***
- ***This must be reflected in the new Environmental and Energy Aid Guidelines.***
- ***The ETS reform must focus on avoiding carbon leakage and favor the achievement of an international agreement.***

1) Industrial Renaissance is the most important objective to move Europe out of the crisis

- ***A strong industrial base is of key importance for Europe´s economic recovery and competitiveness; an EU economic recovery will not happen without industry***
  - Over 80% of Europe's exports account from industry; 75% of trade within the single market is industry and 80% of private research and innovation goes into industry.
  - In total, 1 in 4 private sector jobs are in industry. And success in manufacturing spills over into the services industry: 1 job created in manufacturing industry generates up to 2 jobs in the services sector.
- ***But the industrial basis of Europe has been continuously declining since the 1990s***
  - Industry's share in Europe's GDP is now down to 15.1% and
  - since 2008, 3,5 million jobs have been lost in manufacturing.

➔ ***Therefore***, to restart investments in Europe, the upcoming ***March Councils must confirm the Industrial Renaissance objective*** with a 20% target of industry's share in Europe's GDP by 2020 ***and propose concrete measures.***

2) Giving the manufacturing industry access to globally competitive energy costs is a priority

- ***The gap in energy costs between the EU industry and its competitors is widening***
  - The EC report from January 22 confirms that electricity costs are 2 to 3 times higher in the EU than in the US, with a 70% increase since 2000 for EU industry (stability in the US). Regulatory costs (RES support, taxes, grid costs, etc.) are the main reasons for this widening gap.
  - Natural gas prices are 3 to 4 times higher in the EU than in the US.
  - If persistent, these high energy price disparities can lead to important differences in the economic structure and have far-reaching effects on investments, production and trade. ´

3) Solutions to restore global energy competitiveness exist but require a strong political support

- ***The transition to a low-carbon economy must be driven in a cost- and time-efficient way***
  - More effort on R&D and innovation is needed before scaling up too quickly immature technologies unable to reach globally competitive energy prices.
  - Completing the Internal Energy Market without delay and applying the Public Intervention Guidelines (optimized support of market integrated RES) issued by DG Energy last November are essential to limit the impressive increase of system costs (including levies, grid costs and taxes).
- ***Energy intensive industries (EII) can efficiently contribute to this optimization and must be encouraged***
  - But they need a regulatory framework accelerating voluntary demand response mechanisms, both for gas & electricity, with adequate visibility and remuneration.
  - Grid tariffs must reflect the stabilizing contribution (predictability, modularity) of flat & flexible consumption profiles of EII to a more and more volatile energy system.
  - Long term contracts and partnerships which give more visibility must be supported.
- ***For natural gas, the price gap is such that all possible levers must be activated***
  - Create a more competitive gas market where the price of gas is defined by supply and demand and not by oil; legal action against excessive pricing by dominant players is justified.
  - Speed up the exploration and production of shale gas in Europe as long as this takes place in an environmentally acceptable way. Avoid unreasonable regulation.
  - Establish new infrastructure (pipelines, LNG terminals) to diversify gas supplies to Europe and increase competition.

For electricity, enable a global level playing field when addressing surcharges

- ➢ The ever increasing decarbonization surcharges impact the total cost structure and create an unprecedented burden for manufacturing industries, the backbone of EU economy.
- ➢ Fully offsetting the cost impact imposed by the promotion of non-competitive technologies must continue to be authorized in the Environmental and Energy Aid Guidelines.

4) Enabling the European manufacturing industry to grow will reduce global carbon emissions and contribute to greening the EU economy

- ***EU industry is more energy efficient than its competitors***
  - ➢ This has been strongly confirmed by the January 22 EC Report.
  - ➢ Due to technological limitations, the progress will slow down, physical limits being already achieved for some industrial processes. Further improvement will require size effects.

➔ ***Therefore,*** **enabling the manufacturing industry to grow** will not only stimulate innovation in technologies and products but **consolidate EU's leadership in carbon emissions reduction**.

- ***EII are key actors for greening the economy and examples are infinite***
  - ➢ The *European steel industry* provides steel for wind and solar energy farms. High-strength steel helps building lighter cars with lower emissions.
  - ➢ The *European aluminum industry* reduces fossil fuel consumption by developing the use of this material in lighter cars. Endless recycling possibilities reduce waste.
  - ➢ The *European chemical industry* 2010 production is estimated to contribute to over 1.5 billion tons of avoided greenhouse gas emissions during product use, equivalent to roughly 30% of the total European greenhouse gas emissions in 2010.
- ***But these industries are also the ones confronted with a strong imbalance of climate and energy costs in comparison with their global competitors***

➔ ***Therefore,*** to have European industrial companies pursuing their effort to green the economy ***Member States shall be allowed to fully exempt from decarbonisation surcharges energy intensive industries which are exposed to global competition***.

5) Climate objectives must be set to keep well performing industry in Europe

- ***Carbon leakage must be addressed seriously***
  - ➢ With already energy efficient industries, and hence technical limitations for improvement, the allocation of allowances must be based on realistic benchmarks and actual production.
  - ➢ To determine realistic benchmarks, a careful balance should be made between an ambitious long-term goal and an adequate protection against carbon leakage.
  - ➢ The financial compensation for indirect (electricity) emissions is too severely restricted and only applied in a minority of Member States: real visibility - via a clear framework - is needed.

➔ ***Therefore,*** to really avoid carbon leakage, there must be ***no direct or indirect costs for the most efficient industrial installations in sectors exposed to global competition***. 100% free allowances for best performers must continue with no reduction factor.

➔ ***EU-ETS should be reformed accordingly***.

➔ In absence of an international agreement, ***the same principle must be maintained beyond 2020***.

➔ ***In addition, CO_2 costs passed through by the power sector in electricity prices should be fully offset via free allowances*** in order to create a global level playing field for at least best performers.

➔ ***Growth of efficient industrial production must be welcome within the EU***.