Impact of ETS rules on the sugar sector

(2013-2020).

Sectoral Social Dialogue Committee for the Sugar Industry, 28.02.2011.

Oscar Ruiz, Deputy Director-General, CEFS.

What is ETS phase III?

- EU policy to curb industrial GHG emissions (of which CO_2).
- Centralised at EU level as from 2013.
- Based on a carbon market where companies will buy the number of emissions that they need.
- Transition period (2013-2020) after which 100% of emissions need to be bought.

To what extent is the EU sugar sector concerned?

- **All European beet sugar factories** are ETS installations. Sugar sector not a ‘big’ ETS sector and yet, the biggest after the ‘big ones’ and by far #1 in food industry.
- Sugar included in the list of EU sectors ‘at **risk of carbon leakage**’ = risk of production reduction in favour of non-EU, non-ETS producers.

Impact on the EU sugar sector

- Carbon leakage = number of free CO_2 emissions fixed (not decreasing) for 2013-2020 and yet…
- Sugar : about **50%** of emissions to be paid. Average for all ETS sectors: **27%**.
- After adoption of EU draft allocation rules (15 December 2010) : estimated 150 Mio €/year between 2013-2020 (€ 1.2 Bn total) equivalent to +/-10€/t beet sugar*

* Important: All figures are rough estimates based on sector emissions of 10 Mio t CO_2 and the EC central hypothesis of a CO_2 future price of €30/tCO_2.

Bloomberg

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EU Says Carbon Prices May Double by 2030 as Policies Take Hold

By Ewa Krukowska - Feb 24, 2011

Emissions permits may cost 36 euros ($50) a metric ton in 2030, 51.50 euros in 2040 and 50 euros by 2050, according to the draft document, prepared for a presentation on climate targets to EU member states next month. Allowances for December delivery rose 0.9 percent at 15.42 euros at 1:20.m. on London's ICE Futures Europe exchange.

The EU allows per … program, started in 2005, is now in its second trading phase, which ends in 2012. … from 2013 to 2020, the total limit on greenhouse gases becomes progressively lower each year.

Leftover Permits

The commission's roadmap will be discussed by environment ministers from the bloc's 27 nations at their meeting on March 14. Higher price assumptions in the latest draft reflect that permits can be held over as emission caps are decreased.

"The main cause is additional action and banking over a longer period of time motivated by expectations on increases of allowances prices in the future due to the continuously decreasing cap after 2030 to 2050," according to the draft.

A draft summary circulated last week showed that the commission is considering withholding 500 million to 800 million allowances in the next round of the program from 2013. The amount would correspond to the surplus that can be carried over from the current five-year phase that ends in 2012, according to the commission estimates.

What scope for improvements?(1/2)

- Energy and GHG efficiency improvements: ‘low-hanging fruits’ (easy measures) available? → in principle NO !
  - **Technical improvements** have already been generalised in the last years (multi-effect evaporation; increased pulp drying efficiency)
  - ‘**Classical**’ **renewables** (wind, solar) not an option (high peak energy needs; seasonal use/need only).
  - **Geothermal**, limited to some locations. **Biomass** use increasingly developed but to what extent can it cover factory needs (1 digit %)?

What scope for improvements?(2/2)

- Switch to other fuels which emit less CO2 (e.g. from coal to gas):
  - – Not an option for factories in some parts of the EU where scale of industrial supply of nat. gas in rural areas is insufficient or non-existent..
- Use of steam dryers to dry beet pulp.
  - – Possibly not an economical option for factories below a certain size. High-cost investment requiring a sufficiently high utilisation rate.
- Other?

Challenges for the future

- Ensuring a level-playing field with non-EU sugar producers which are not subject to similar environmental/regulatory costs.
  - Regulatory convergence (e.g. Single Market Act communication – proposal 23)
  - Justified border protection on environmental grounds, when/as needed.
- Ensuring EU support for:
  - industrial activities in rural areas
  - sectors active in the bio-based economy (PFP)
  - sectors that contribute to EU's energy self-sufficiency and emission reduction targets (use of CHP; production of bio-fuels)

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