



PRESS RELEASE

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Industry sheds crocodile tears over free carbon allowances, say think-tank

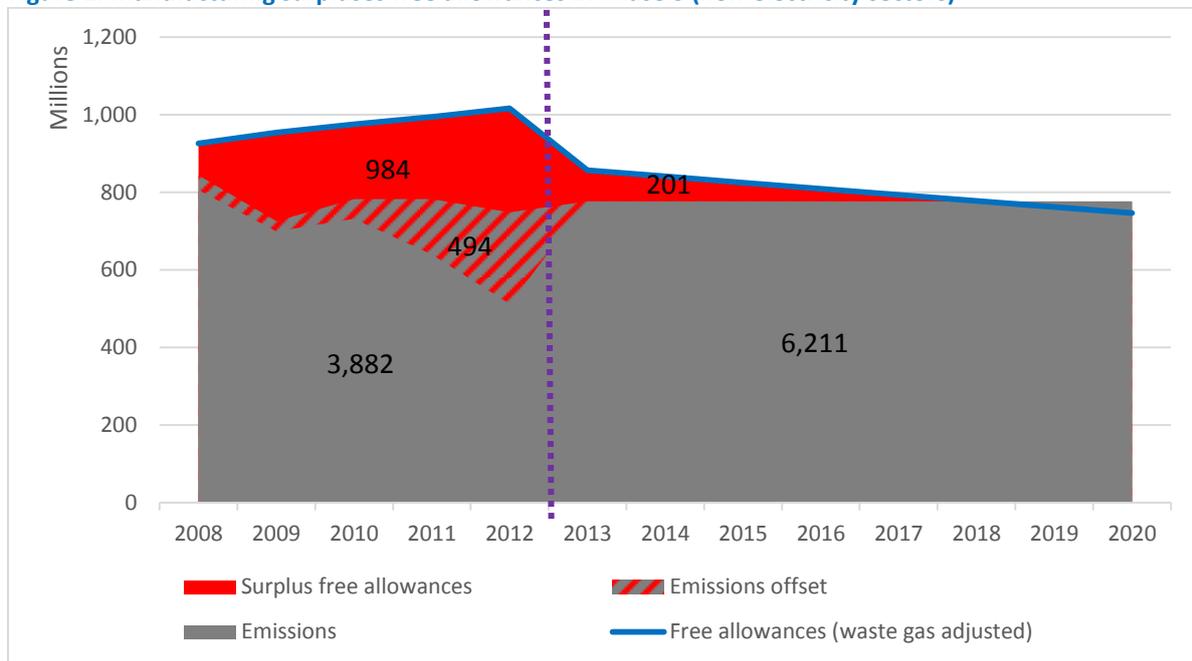
A new decision on the free carbon allowances awarded to manufacturers under the EU Emissions Trading Scheme has been met with hostility by industry, but according to climate change think-tank Sandbag these complaints are disingenuous.

Damien Morris of Sandbag comments, “While industry will make a false show about how taxing these allocations are, the data reveals precisely the opposite. Taken as a whole, manufacturers will be cruising under the ETS even if their emissions climb 50% by 2020.”

He continues, “Extensively protected as they are, manufacturers have no case for standing in the way of structural reform of the ETS. Policymakers should ignore their crocodile tears and tighten the Phase 3 cap.”

Research published by Sandbag earlier this yearⁱ found that average annual free allowances given to industrial sectors over 2013-2020 will be higher than their average annual emissions over the last five years. Unless emissions grow considerably, Europe’s manufacturers, here defined as all non-electricity generators, will continue to accrue surplus free allowances over Phase 3 after already amassing a billion spare allowances over Phase 2.

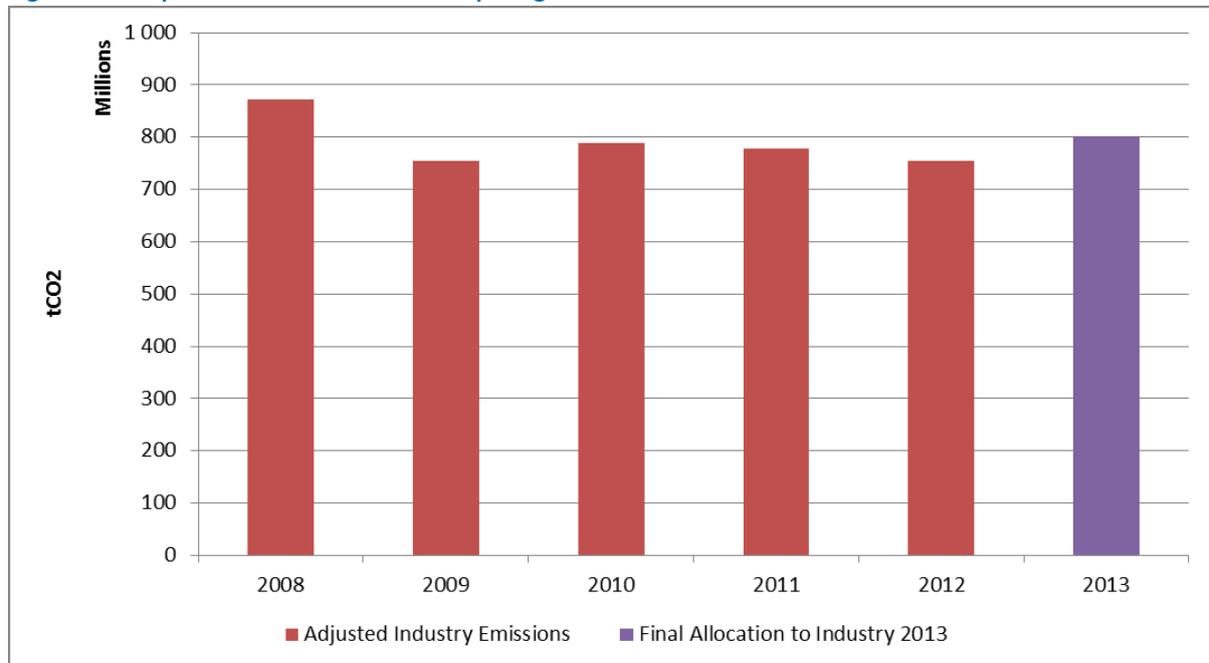
Figure 1: Manufacturing surpluses free allowances in Phase 3 (non-electricity sectors)



N.B. chart above shows emissions continuing at average Phase 2 levels across Phase 3

The Commission’s own Q&A document partly corroborates Sandbag’s analysis, showing that free allowances in 2013 will exceed industry emissions for the last four years.

Figure 2: European Commission chart comparing 2013 free allowances with Phase 2 emissionsⁱⁱ



Sandbag's acknowledges that overallocation will not be uniform across all manufacturing sectors, but argues that the any losers on free allocation are likely to be concentrated in a small cluster of industrial sectors.

Morris adds: "Each industry will no doubt claim that they are a special case and that this aggregate picture conceals their unique tale of woe, but the real losers are that small cluster of sectors who didn't make it onto the carbon leakage list whose allowances have been squeezed by sectors who don't really belong there. This allocation data strengthens the case for a careful review of the carbon leakage list in 2014."

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Sandbag is the climate change NGO campaigning for environmentally effective carbon markets. Our offices are based in London and in Brussels. Please visit our website at www.sandbag.org.uk

ⁱ Damien Morris, *Drifting Towards Disaster* (Sandbag, June 2013)

http://www.sandbag.org.uk/site_media/pdfs/reports/Drifting_Towards_Disaster.pdf

ⁱⁱ Questions and Answers on the Commission's decision on national implementation measures (European Commission, September 2013)

http://ec.europa.eu/clima/policies/ets/cap/allocation/docs/20130905_faq_en.pdf