



Javier Solana
High Representative for the Common Foreign and Security Policy
Council of the European Union
General Secretariat
Rue de la Loi 175
1040 Bruxelles
Belgium



9 June 2008

Dear Mr Solana,

The European Roundtable of Industrialists (ERT), a forum of around 45 leaders of large multi-national companies of European parentage, continues to be extremely concerned about the growth of the European Economy and the competitiveness of the European industry. It is for this very reason that during 2007, the ERT Competitiveness Working Group embarked upon an economic study to examine and assess its own Member Company contributions to the EU Growth and Jobs agenda. The final report in its entirety is attached to this letter. I believe that the top-line findings of the report complement and support the latest developments at the Competitiveness Council with respect to providing fresh impetus for competitiveness and innovation of European industry.

The report shows that ERT Member Companies make a significant contribution to wealth and employment in the EU via their own operations, their spending with EU-based suppliers and their investment in R&D, human capital and entrepreneurship. Together, ERT Member Companies sustain more than 6.6 million jobs in the region, the equivalent of 5 percent of total employment in the EU market economy. More notably, most of these jobs are of high quality, requiring extensive education, high levels of skill and substantial formal qualifications. Additionally, they are better paid than many other jobs to be found in the EU.

In 2006, ERT Member Companies invested over Euro 32 billion in R&D in the EU which was equivalent to 14 percent of all R&D carried out in Europe that year. Our Member Companies continue to nurture human capital through the adoption of high performance work systems and support entrepreneurship through the provision of markets for high skilled sectors. These are clearly demonstrated throughout the report with case studies from selected ERT Member Companies.

Despite this contribution, ERT and its Member Companies believe that more can be done to stimulate the EU's economy even further. Complementing the Competitiveness Council's agreement on the importance of targeted policies for SMEs and the danger of

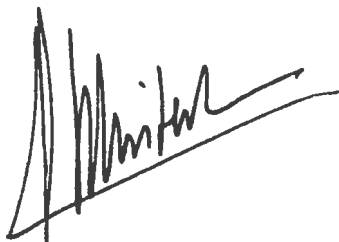
carbon leakage, ERT Member Companies see three further areas where governments have an important role to play in helping to improve enabling conditions in the EU:

- **Improving the competitiveness of Supply Chains;**
- **Unlocking the EU's innovative potential; *and***
- **Increasing the availability of high quality human capital in Europe.**

There is a specific policy recommendation section (Section 5 – Policy Recommendations) which deals with each of the focus areas outlined above in greater detail. ERT remains convinced that national governments must reinstate their commitment to the EU Single Market. It remains pivotal that the benefits of the Single Market are further explained to the EU citizen. There remains no better way of securing the future prosperity and sustainability of Europe than to build a strongly integrated economic area that includes elements of social policy. As Europe seeks to adapt to considerable change to ensure that its innovation is keeping up with new global challenges, only real reforms will make it possible to reach the Lisbon targets that seek to increase GDP and employment across Europe.

Should you wish to discuss the report and its findings in greater detail please do not hesitate to contact the ERT Secretariat.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Gerard Kleisterlee', with a long horizontal flourish extending to the right.

Gerard Kleisterlee

Chairman, ERT Competitiveness Working Group
President and CEO, Royal Philips Electronics.



Mr Javier Solana
High Representative for the Common Foreign and Security Policy
Rue de la Loi 175
1040 Bruxelles

3 October 2008

Dear Mr Solana,

We are writing as members of the European Round Table of Industrialists (ERT) with regards the Emissions Trading, Carbon Dioxide Capture and Storage and Renewable Energy Directives now under consideration in the European Council and European Parliament.

ERT welcomes the progress made by the European Commission and the European Parliament in beginning to forge a consensus on these important policy issues. We also recognize the need worldwide for increased energy efficiency as well as substantial cuts in global greenhouse gas emissions to address climate change. At this time of economic turmoil, we believe that regulatory certainty for business is vital. Assurances of a balanced approach between the challenges of competitiveness, climate change and security of energy supply are needed to stimulate economic activity and job creation as well as reduce costs in the medium to long term. Decisions cannot be delayed.

ERT believes that the package of energy and climate change measures now under consideration for the EU broadly meets these criteria, but three areas of particular concern are discussed below.

Competitiveness and the EU-ETS

The overriding aim of the EU emissions trading system is to create incentives for emissions cuts by EU-based producers and for the cost of CO₂ emissions to be reflected in the price of corresponding goods and services throughout the economy, thereby creating a clear signal for consumers.

This system works well when all producers face the same regulatory constraints, but is very cost ineffective when there is an uneven global competitive playing field. This problem is most acute for sectors competing with industry that is external to the trading system.

- The determination of whether a sector is in such a situation is complex, with consideration being given to factors such as the CO₂ cost for an installation in relation to other key financial parameters, a dynamic analysis including the OECD measure of trade openness and the degree to which cost can be passed on to consumers. It will nevertheless be necessary to exercise judgement about the impact of emissions trading on specific industries hence the need for transparent up-front criteria.

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- Whilst competitive exposure is clearly recognised in the proposed Directive for participants of Phase III of the EU-ETS, there is no recognition of those indirectly impacted by the ETS, such as through the electricity price, which also delivers CO₂ price exposure. This is a significant issue for electricity intensive industries where competition is primarily outside the EU.
- Once industries are classified as subject to competitive exposure and at least until a broad and competitive playing field seeking international agreement on climate change can correct the situation, action will be required to address the competitive imbalance.
 - For ETS participants, affected installations should receive up to and crucially including 100% of their emissions allowances for free in the severest cases. Such free allocation could be based on the recent emission intensity of the eligible industry or, if feasible, a best practice performance benchmark.
 - For non-ETS participants, a mechanism will be required to offset the financial impact of the indirect CO₂ price exposure.
- The provisions designed to manage competitive exposure for these industries will need to be applied transparently, consistently and equitably. Most importantly, they must be implemented rapidly after the adoption of the Directive.

Carbon Dioxide Capture and Storage

Carbon dioxide capture and geological storage (CCS), together with renewables, nuclear and the efficient use of energy comprises the four parts of a broad EU CO₂ emissions reduction strategy. In addition, CCS will be an important technology in countries such as China and India where coal is the mainstay of the energy system. ERT welcomes the current CCS and revised Emissions Trading Scheme (ETS) Directive proposals in that they provide the necessary legal and financial framework for the long-term deployment of CCS in the EU.

As already agreed by the European Council of Ministers at the 2007 Spring Summit, a commercial scale demonstration programme in the EU is an essential first step. What is absent today is a funding framework for the demonstration programme. The incentive created by the ETS CO₂ price alone will not be sufficient to kick-start this new industry, fund the initial infrastructure (e.g. establishing storage sites, pipelines, development of monitoring programmes etc.) and see the development of improved CCS technologies. Such a funding programme is urgently required and should be built on five key principles:

- It operates at EU level on a pan-European basis (rather than just at Member State level).
- It creates the necessary incentive from 2009 onwards.
- It should be time and volume limited. Additional funding should be short to medium term and targeted.
- It should be performance based, in that it rewards CO₂ stored.
- It must operate on a financial scale commensurate with the task at hand. The demonstration programme is a multi-billion Euro investment in Europe's energy future.

ERT appreciates the ongoing discussions in the European Parliament on a possible funding framework, and we hope that these will result in the necessary support for the demonstration programme to begin.

Energy from Renewable Sources in Road Transport

As the EU aspires to meet a certain portion of its road transport energy needs with renewable energy, with biofuel as one of the component parts, a balance needs to be found between the ecosystem and social impacts of feedstock supply, the environmental impact of the process (well-to-wheels CO₂ impact or WTW) and the economic effectiveness of the fuel.

We believe that renewables, including biofuels, can play a role in road transport, given a suitable policy framework, constructed as outlined below:

- In the context of a sustainability framework and review process, establish clear targets (e.g. the 10% target for the EU) that are linked to both sustainability criteria and WTW GHG reduction, combined with the goal that an increasing share shall be met from electricity or hydrogen from renewable sources and energy from waste and residue biomass. Interim targets should be incorporated.
- Establish a robust review process, which includes an assessment of direct and indirect impacts, of the market availability of sustainable supplies of biofuels and the progress of advanced biofuel technologies. The review process must then be linked back to interim targets.
- Recognize and support the development of an international sustainability metastandard that covers bioenergy more broadly and applies to domestic and imported biofuel production indiscriminately.
- Promote appropriate land use policies to encourage responsible land use planning.
- Recognize and support the development of a sustainable biofuels sector leveraging existing technologies as a bridge to developing and introducing advanced biofuels.

As the Directives move from proposal to adoption, a significant piece of the necessary policy framework to address climate change and meet energy needs will become reality. But still more remains to be done. Political leadership is needed as a matter of urgency to deliver efficiency gains, particularly in sectors that will not be covered by the Emissions Trading Scheme. In particular, this should include measures for energy efficiency improvements in commercial, residential and public buildings (where substantial progress can be achieved with available technology), influencing consumer behaviour by providing guidance on low-carbon emission choices, CO₂ emission limits for vehicles, efficient public transportation systems and incentives to leverage the full potential of ICT and technology towards a low-carbon economy.

Yours sincerely,



Jorma Ollila

Chairman, ERT
Chairman, Nokia



Jeroen van der Veer

Chairman, ERT Energy and Climate Change Working Group
Chief Executive, Royal Dutch Shell plc



Mr Herman Van Rompuy
President of the European Council
Rue de la Loi 175
1048 Bruxelles
Belgium

1 February 2010

ERT's Vision for a competitive Europe in 2025

Dear President,

We are pleased to present ERT's Vision for a competitive Europe in 2025. With this contribution, the European Round Table of Industrialists, the forum of around 50 Chairmen and Chief Executives of global companies of European parentage, intends to make a contribution to the definition of the EU's policies in the new decade.

As economies worldwide are adjusting to the most severe crisis in recent history, the challenges our Union faces are even greater now than before the recession. The EU's ability to provide quality employment is under threat. Europe's economic success is built on its openness to the world. Yet today's world is changing rapidly, as several global megatrends present new challenges. Europe urgently needs to transform itself to keep pace with global developments in order to sustain and strengthen the well-being of our societies and citizens.

There is now a great opportunity to rethink the European Union's future course and to take decisive action while Europe is still in a position to build on its strengths. As the renewed EU institutions take office under the Lisbon Treaty, this is a good time to forge a broad consensus on new policy objectives and to set ambitious new targets, including through the new 'Europe 2020 Strategy'.

A bold vision is needed to guide the necessary changes and ensure consistency of the choices to be made for the future. ERT wants Europe to still be an attractive place to live and work in 2025, deeply integrated into the global economy as a respected partner. Europe should continue to stand for a high quality of life for its citizens. That is why prosperity and societal well-being are at the core of ERT's Vision. Urgent transformation is necessary to achieve these goals. A modern industrial and technological base with a focus on sustainable solutions will play a central role in this transformation.



Turning our vision into reality will require bold policy thinking and tough choices. To support this, we make recommendations for policy actions that, if taken within the next five years, would set the EU on the desired long term course.

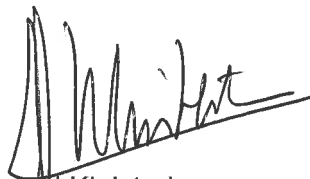
Europe has to unleash all of its unrealised potential. It should turn its formidable diversity into competitive advantage and evolve into a leading global innovator. It needs to build on the success of its Single Market, which offers ample opportunity for further deepening, and rely on smart regulation to ensure that its policies deliver long-run sustainability in all the senses of the word.

Boldness is essential to attain our vision of a globally competitive Europe by 2025. We are confident that Europeans can work together towards this common objective and to harness the full potential of Europe's openness and diversity. The debate on the 'Europe 2020 Strategy' is the first opportunity to move in this direction. We stand ready to engage in this debate and to contribute actively to Europe's transformation.

Yours sincerely,



Leif Johansson
Chairman, ERT
President of AB Volvo and
CEO of the Volvo Group



Gerard Kleisterlee
Vice Chairman, ERT
Chairman, ERT Competitiveness Working Group
President & CEO, Royal Philips Electronics