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Call –with European Energy Intensive Industries
24 and 29 March 2021

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Active participants

- Mr. Thierry Breton, European Commission, Commissioner for Internal Market
- [redacted] Solvay [redacted]
- [redacted] FuelsEurope [redacted] Petroineos
- [redacted] Fertilizers Europe & [redacted] Borealis L.A.T.
- [redacted] EUROFER, [redacted] ArcelorMittal
- [redacted] Cembureau, [redacted] HeidelbergCement, [redacted]
- [redacted] Eurometaux [redacted] Boliden
- [redacted] Saica Group [redacted] CEPI Board

Main points of the discussion

Commissioner Thierry Breton opened the meeting and invited the participants to share they views on key issues, key concerns for the Energy-intensive industries, including:

1. **Industrial strategy**
2. **"Fit for 55" legislative package**
3. **Investments challenge**

The main takeaways can be summarised as follows:

1. SOLVAY CEO, [redacted] Chemicals Sector

- EIIs will need to reinvent their businesses, the industrial Strategy, this should be the centralizing and coordinating pillar for all EU policies that affect us.
- The Chemicals sector will become much more heavily electrified; access to a greatly increased supply of low carbon electricity, hydrogen, biomass at competitive price is key.
- Industrial policy is a shared competence with Member States so their early involvement and buy-in is key.
- The Green Deal is about value chains so timing and coordination of policies to help companies to bring low carbon products to market is key.
- Restricting use of chemicals to essential use only will make their production in the EU uneconomical.

2. PETROINEOS REFINING [redacted] Refining Sector

- We in Europe have to compete with China. Carbon pricing in China is mostly focussed on Power generation, to drive the phase-out of coal, and there is no carbon pricing applied to refineries. Many large new refineries are being built for export as well as domestic demand, they are very highly integrated with chemicals. Highly competitive globally, already causing shutdowns of refining in Australia and SE Asia.

- This will also affect European refineries, and businesses that are uncompetitive will struggle to make the green investments for transition. We have to remain competitive in the transition.
- Industrial strategy should bring together the_push measures for low carbon production (funding breakthrough; facilitating competition law framework; ETS; CBAM Carbon Border Adjustment Measure to preserve competitiveness) together with pull measures to get low carbon products to market (financing; product standards; public procurement).
- For transport fuels transition, getting the RED, Energy Taxation and also CO2 standards in all transport modes are key. We welcome the announcement of the Alliance for Renewable and Low Carbon Fuels and Value Chains.

3. BOREALIS LAT [redacted] **Fertilizers Sector**

- Our sector can make a real contribution to the hydrogen strategy. Ammonia will be the backbone of hydrogen economy.
- First project of green ammonia based on renewable energy will become operational in Spain this year. Total investment needs for green ammonia are estimated to be more than 30 bill. €. Moment no business case. Critical that public funds are made available to support the transition.
- We need to create markets for green products, we need to have the definitions for green products and certification in place
- Fertilizer sector is spoken about as a possible test sector for CBAM. We are only interested in an ETS-mirror model, not an excise duty on carbon. Secondly, we insist that free allowances should be continued, because we need security and competitiveness. Otherwise we are not interested in being a test sector.

4. ArcelorMittal [redacted] **Steel Sector**

- EU steel industry hit very hard by the pandemic. We are still suffering with sky-rocketing raw material prices, and production certainly not reaching pre-pandemic levels this year.
- Yet, we maintain our ambition as steel industry to reduce emissions by 30% by 2030 – approx. 55% compared to 1990 levels.
- We launched dozens of projects to bring our industry close to carbon neutrality by 2050.
- To be successful, we need full and effective carbon leakage protection. An equal cost base between third country producers and EU operators is key.
- Free ETS allowances at current benchmark levels and CBAM can co-exist in a WTO compatible way for a transition period.
- We are open to discuss any option of CBAM that provides us with full leakage protection. But it is difficult for us to lend support to any of the design options on the table unless

we know exactly what the parameters are for each option and how these impact each of our sectors; many of us have done the numbers and we would appreciate individual, detailed industry discussions on the impact of each of the suggested approaches.

- The intent of CBAM from the very beginning was to fix a problem in ETS with asymmetric application of carbon pricing to EU production vs. that of imports. Especially considering the levels of EU climate ambition and the rising ETS prices, it is a critical issue for us that the COM deliver an instrument that improves, not worsens this situation.

5. Heidelberg Cement [redacted]: Cement

- “Fit for 55 package” – need for legal certainty: shift to carbon neutrality requires massive investments in long-cycle businesses; need for a close coordination between all the Fit for 55 + Industrial Policy + Sustainable Product policy initiatives is essential both at EU level and at national level.
- ETS reform - need for fair burden sharing between ETS sectors and non-ETS sectors, however, given the difference in pricing elasticity and cost pass-through possibilities between ETS sectors and non-ETS sectors (transport and buildings) we do not believe that the inclusion of the latter in the ETS would be a good option.
- Innovation - ETS revenues should be used to scale up breakthrough technologies and innovative financing mechanisms such as Carbon Contracts for Difference that will be needed to make breakthrough technologies economically viable.
- A combination of push measures (incentivizing energy intensive industries to reduce their emissions) and pull measures to ring low carbon products to the market (standardization, public procurement, financing) is essential in a full value chain approach.

6. BOLIDEN AB [redacted]: Non-Ferrous Metals Sector

- The Metals industry is very highly electro intensive. And so we are very dependent on the power industry to deliver on these needs.
- Greater access to carbon free electricity at globally competitive prices is critical. It is the biggest enabling factor for industry in the transition.
- We are very cautious regarding removal of free ETS allowances during introduction of CBAM (especially Aluminium sector).
- We produce copper, zinc and nickel with a much lower carbon footprint that our non-European competitors. We would like to see the Commission come with a regulatory framework which provides a premium for these lower carbon products.
- We also have Raw materials challenge as Europe is only 20% self sufficient and many of our products are critical for meeting the objectives of the Green Deal.

7. SAICA CEO, [redacted] Pulp & Paper Sector

- We need the Commission leadership in the bio-economy to positively influence consumers’ behaviour and to promote bio-based, low-carbon products.

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- Bio-mass also plays a critical role in the decarbonisation strategies of our mills. For mills using recycled fibres without direct access to wood-based renewable energy, green electricity and green gases will be crucial to maintain sustainable paper recycling in Europe.
- CBAM is not likely to work for all sectors as pulp and paper sector relies on exports.

Conclusion and next steps

The Commissioner proposed for technical level discussion on CBAM options and thanked EIIs' representatives for the exchange and suggested to continue dialogue, including through the high Level Group on EIIs and directly with his team.