

Director General

Mr. Karl Falkenberg
Director General, DG Environment
European Commission
Rue de La Loi 200
B- 1049 Brussels

24 September 2010

Re: Interservice consultation on the EU Emission Trading System draft Allocation Rules and Benchmarks

Dear Mr. Falkenberg,

The draft rules for allocation and benchmarks for the Emissions Trading Scheme are currently in interservice consultation. Cefic, on behalf of the European chemical Industry, would like to make a few comments on some important issues.

The requirements and that the spirit of the EU ETS Directive are not yet reflected in a balanced manner in the document you are being consulted on. I would like to draw your attention to the following issues:

- EU climate policy should encourage new investments. In fact, new investments or expansions using state-of-the-art technologies are needed to achieve lower emissions. To incentivize new practices, the threshold for access to the New Entrants Reserve (NER) should be set at a lower level than currently proposed;
- EU climate policy should allow a more gradual transition towards 2020 emission targets. Starting with a flat allocation based on the best 10 per cent as from 2013 may result in discouraging investments from new technologies towards buying additional emission allowances. Cefic advocates instead for a sliding allocation path from 2013 onwards; and
- EU climate policy should not be built on recent economic recession data. The directive should therefore exclude the time period beyond the prescribed timeframe going from 2005 to 2009 or 2010;

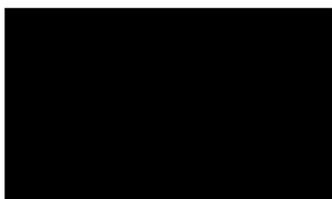
A more detailed position paper is attached. Please refer to it for more insights on our comments.

The impacts of this directive on the competitiveness of the chemical industry will be high, especially on the level of competitiveness in the chemical industry. Knowing that the European Union remains the only region to have such detailed legislation, the outcome has the potential to make our industry become even more vulnerable. The sector now struggles more than ever, as our latest analysis released this week show, to keep its global leadership position.

I would be grateful if you could take our concerns into consideration.

Would you need any further clarification, please do not hesitate to contact me or Mr William Garcia, Executive Director in charge of this topic.

Yours sincerely,



Hubert Mandery

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