Competitiveness in the UE in light of existing and planned directives/regulations (legal aspects)

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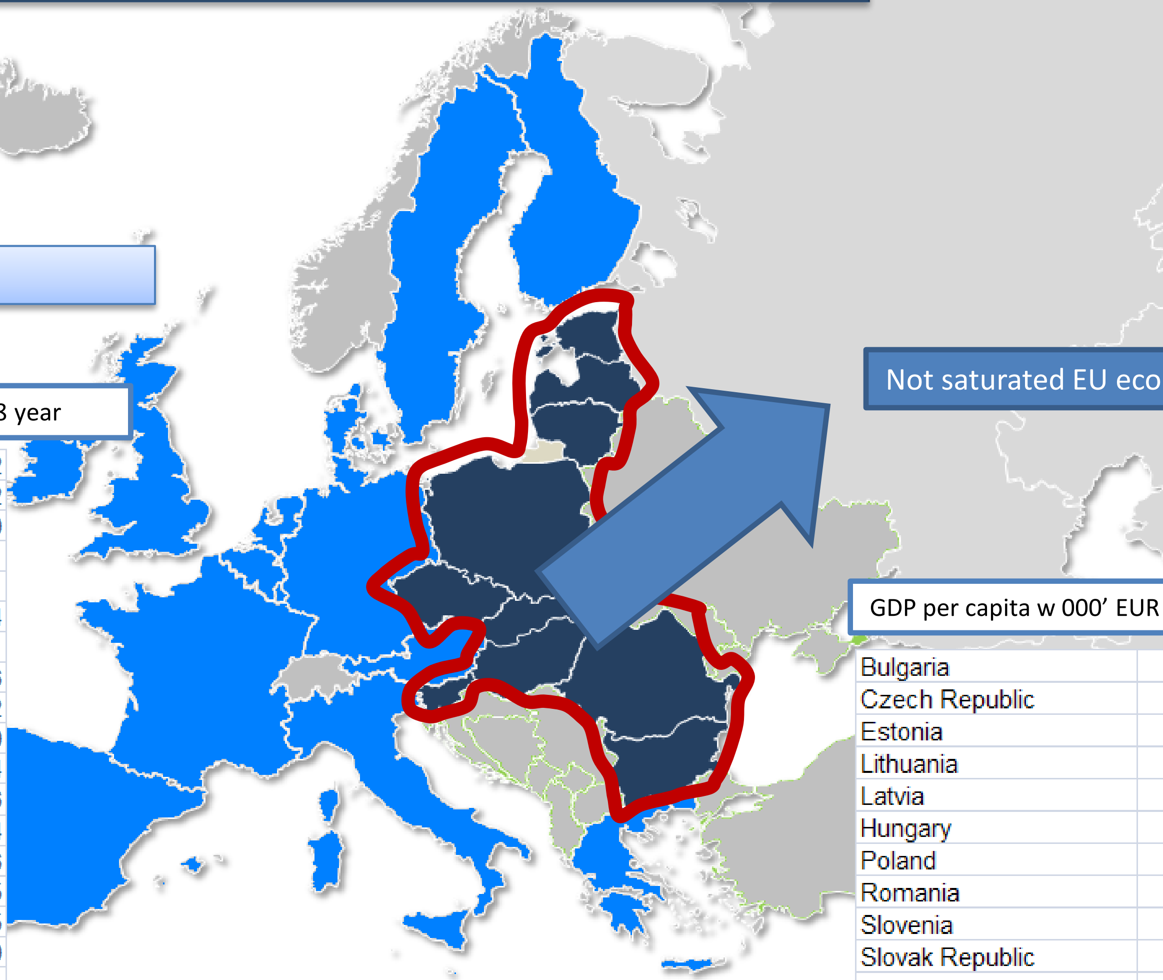
European Union



Saturated EU Economies

Not saturated EU economies

GDP per capita w 000' EUR ,2008 year

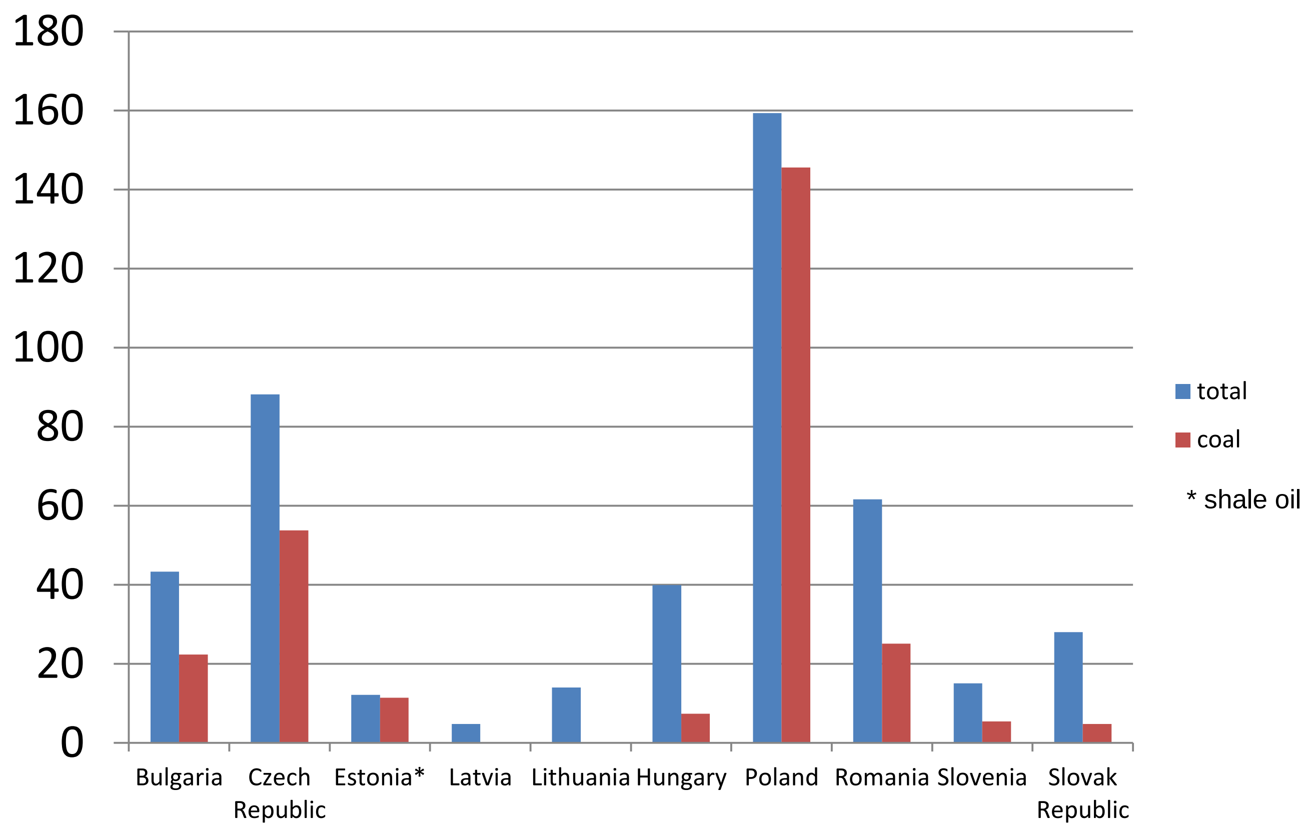
1	Belgium	32
2	Denmark	42
3	Germany	30
4	Ireland	41
5	Greece	21
6	Spain	24
7	France	31
8	Italy	26
9	Cyprus	22
10	Luxembourg	80
11	Malta	14
12	Netherlands	36
13	Austria	34
14	Portugal	16
15	Finland	35
16	Sweden	35
17	United Kingdom	30
Average GDP per capita		29,2

Source:Eurostat

GDP per capita w 000' EUR 2008 year

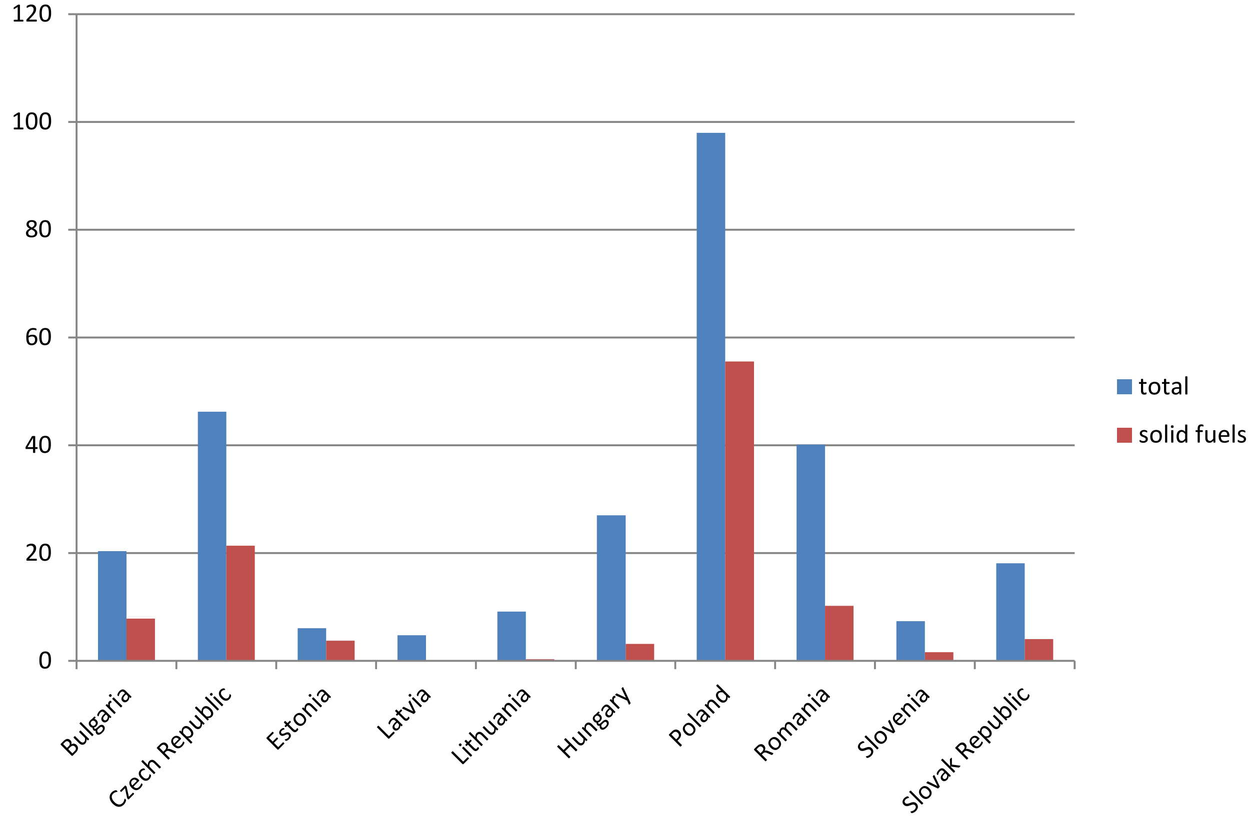
Bulgaria	4
Czech Republic	14
Estonia	12
Lithuania	10
Latvia	10
Hungary	11
Poland	10
Romania	7
Slovenia	18
Slovak Republic	12
Average GDP per capita	9,4

Electric generation TWh and the share of coal (2007)



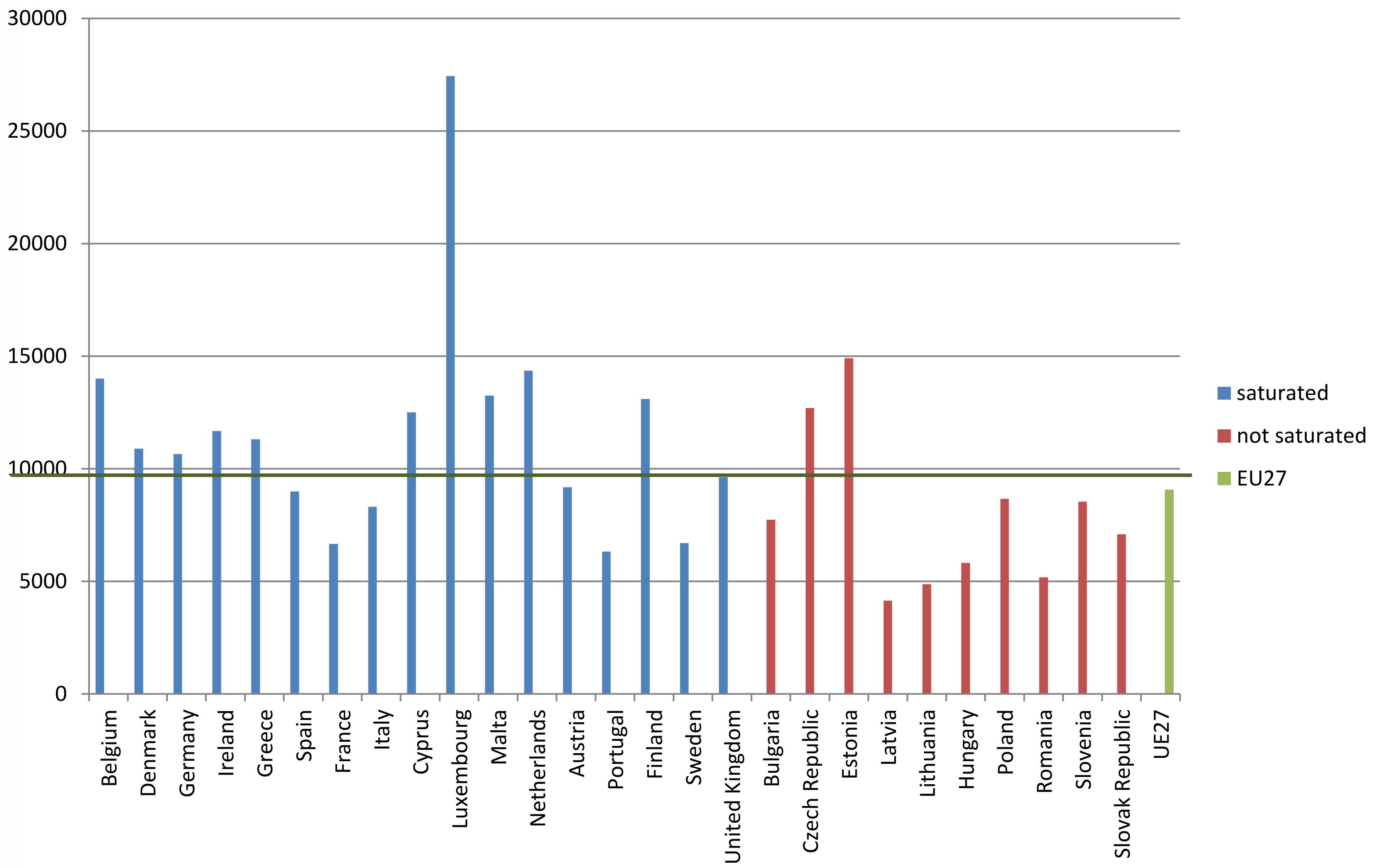
Source: European Commission, EU Energy and Transport in figures, Statistical pocketbook 2010

Gross inland consumption and the share of solid fuels (toe) 2007



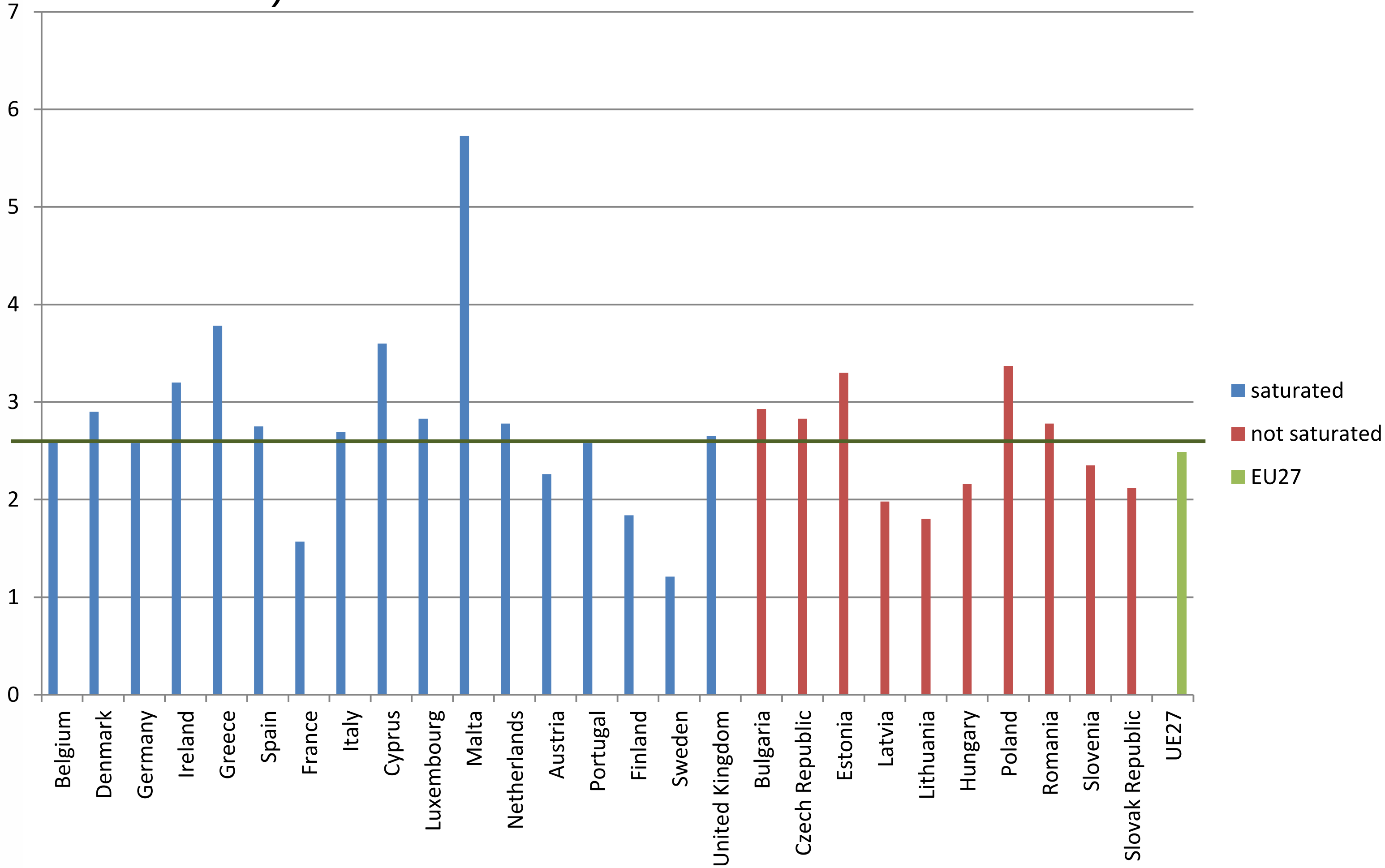
Source: European Commission, EU Energy and Transport in figures, Statistical pocketbook 2010

CO2 per capita (kg/cap) 2007



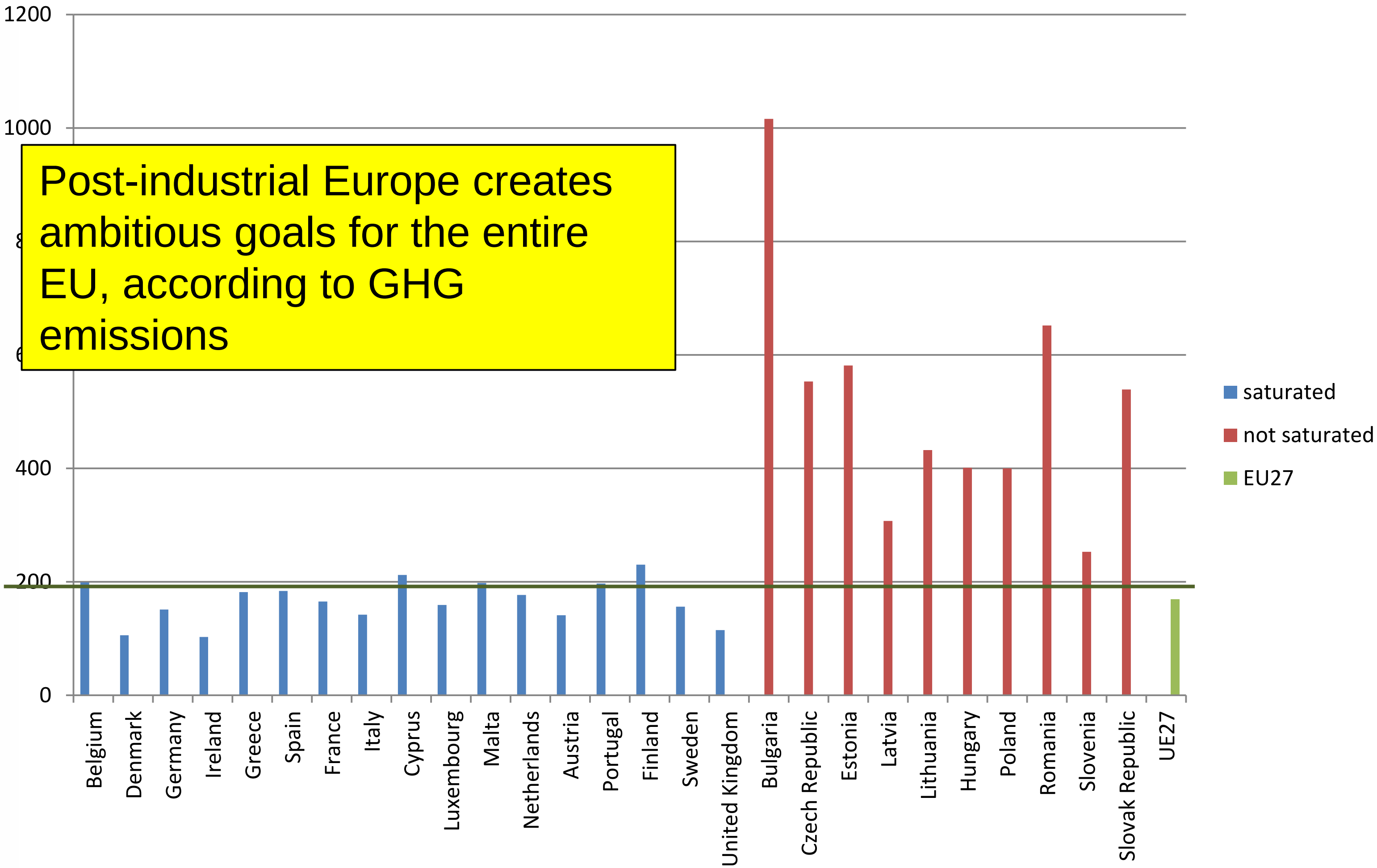
Source: European Commission, EU Energy and Transport in figures, Statistical pocketbook 2010

Carbon intensity 2007 - CO2 emissions / gross inland consumption (tonne CO2 /toe)



Source: European Commission, EU Energy and Transport in figures, Statistical pocketbook 2010

Energy intensity 2007 - toe / M€ ’00



Source: European Commission, EU Energy and Transport in figures, Statistical pocketbook 2010

European Commission proposals
for a Council Directive amending the existing Directive 2003/96/EC

Tax reconstructed according to **CO2 emissions** and **energy content:**

- A part based on CO2 emission of the energy
- A part based on energy content per GJ

European Commission proposals
for a Council Directive amending the existing Directive 2003/96/EC

A part based on CO_2 emission of the energy by product

European Commission proposals for a carbon tax

- It would oblige member states to set minimum rates but not lower than 20€/t CO_2 for fuel used for the purposes of **transport** and **heating**
- The tax would be automatically linked to inflation – measured every third year

Minimum level of taxation from 1 January 2013 (recommended):

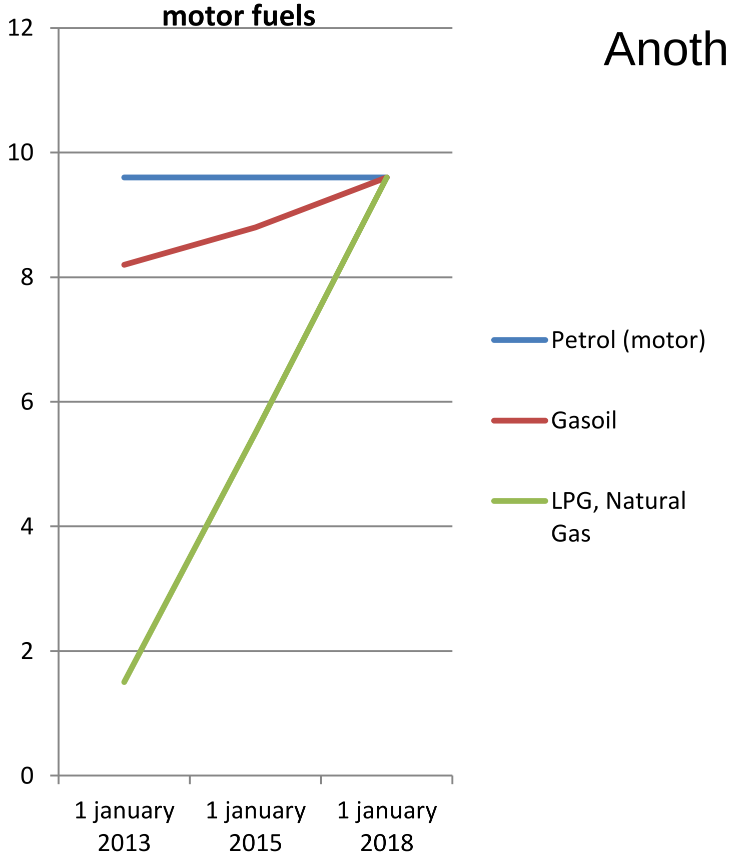
20 €/t CO_2

It will influence adversely EU competitiveness

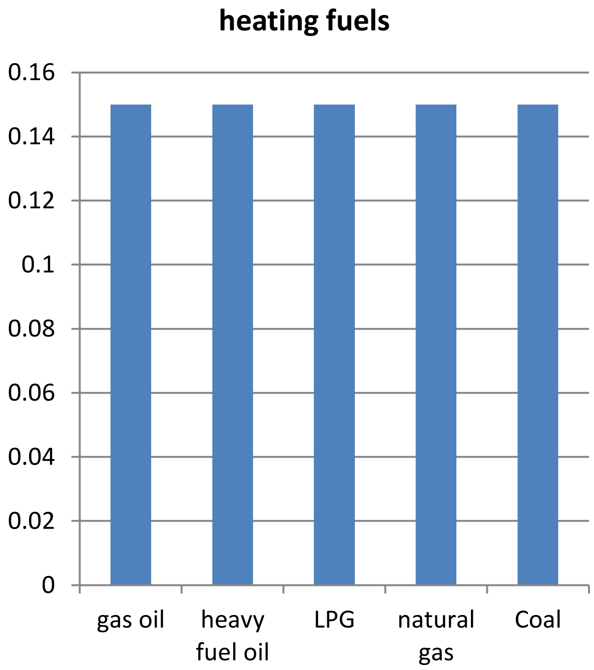
European Commission proposals
for a Council Directive amending the existing Directive 2003/96/EC

A part based on an energy content per GJ

Minimum levels of taxation applicable from 1st January, 2013 (recommended) for motor and heating fuels (Euro/GJ)



Another factor decreasing EU competitiveness



European Commission proposals
for a Council Directive amending Directive 2003/96/EC

Motor fuels

From 2023, it will be obligatory for Member States to respect the relationship between the different products in their national rates.

Example: diesel/petrol

- Alignment of tax treatment on the basis of energy content and CO_2 will lead to a higher per-volume rate for diesel (412 - diesel against 359 €/1000l - petrol) by 1/1/2018 (as 1 litre diesel emits more CO_2 than 1 litre of petrol / has higher energy content)
- Member States will have to reflect the relation in national rates, but will be given time for adjustment until **2023**

Central European countries will be obliged to revise their import of heavy crude oil (URAL) from Russia?
And refurbish their crude oil processing plant

Biofuels

- No CO_2 tax applies to sustainable biofuels
- Unsustainable biofuels will be treated as conventional fuels

European Commission proposals
for a Council Directive amending the existing Directive 2003/96/EC

Heating fuels

- New minimum rates introduced as of 2013 (recommended)
- As of 2013, Member States need to respect the relationship between the different products in their national rates and fix equal levels for their respective use
- Member States may postpone introduction of the CO2 part of the tax until **2020,** when it becomes obligatory

European Commission proposals
for a Council Directive amending the existing Directive 2003/96/EC

Referring to the recent European Commission proposals, countries with unsaturated economies, should bear in mind that:

Member States should be given the flexibility necessary to define and implement policies appropriate to their national circumstances

Point No. (9), Directive 2003/96/EC, 27 October 2003, restructuring the Community framework for the taxation of energy products and electricity

According to CEEP, the implementation of such proposals should be extended beyond 2040

Directive 2009/29/EC

Draft Commission Decision determining transitional European Union-wide rules for the harmonised free allocation of emission allowances pursuant to Article 10a of Directive 2003/87/EC

For the determination of benchmark values, the Commission has decided to use, as a starting point, the arithmetical average of greenhouse gas emissions performance, based on the **10% most efficient installations**. This leads us indirectly to assume an equivalent to establishing a benchmark **based on natural gas installation efficiency**.

Article 10a of Directive 2003/87/EC

- The benchmark defined in this way will have a negative impact for many companies in Central Europe. Adopting the proposed version will lead to a significant deficit in free allocation of emission allowances in companies operating in the market. **The proposed rules automatically increase manufacturing costs because of their energy-mix, that is when the majority are based on solid fuels. Companies will struggle to stay competitive. This situation will affect all key industries.**
- The aim of the Emissions Trading Scheme (ETS), as stated in Article 1 of Directive 2003/87/EC as amended by Directive 2009/29/EC, is to promote reductions of greenhouse gas emissions in a cost-effective and economically efficient manner.

  This is particularly important for Central European countries. We must remember that the GDP per capita in Central European countries is almost three times lower than in countries with saturated economies (e.g. France, UK, Holland, Belgium, Germany, etc). **We should strive to remove these differences. The introduction of the proposals regarding Article 10a will have a negative impact on this process, due to a significant increase of energy prices in the Central European countries.**

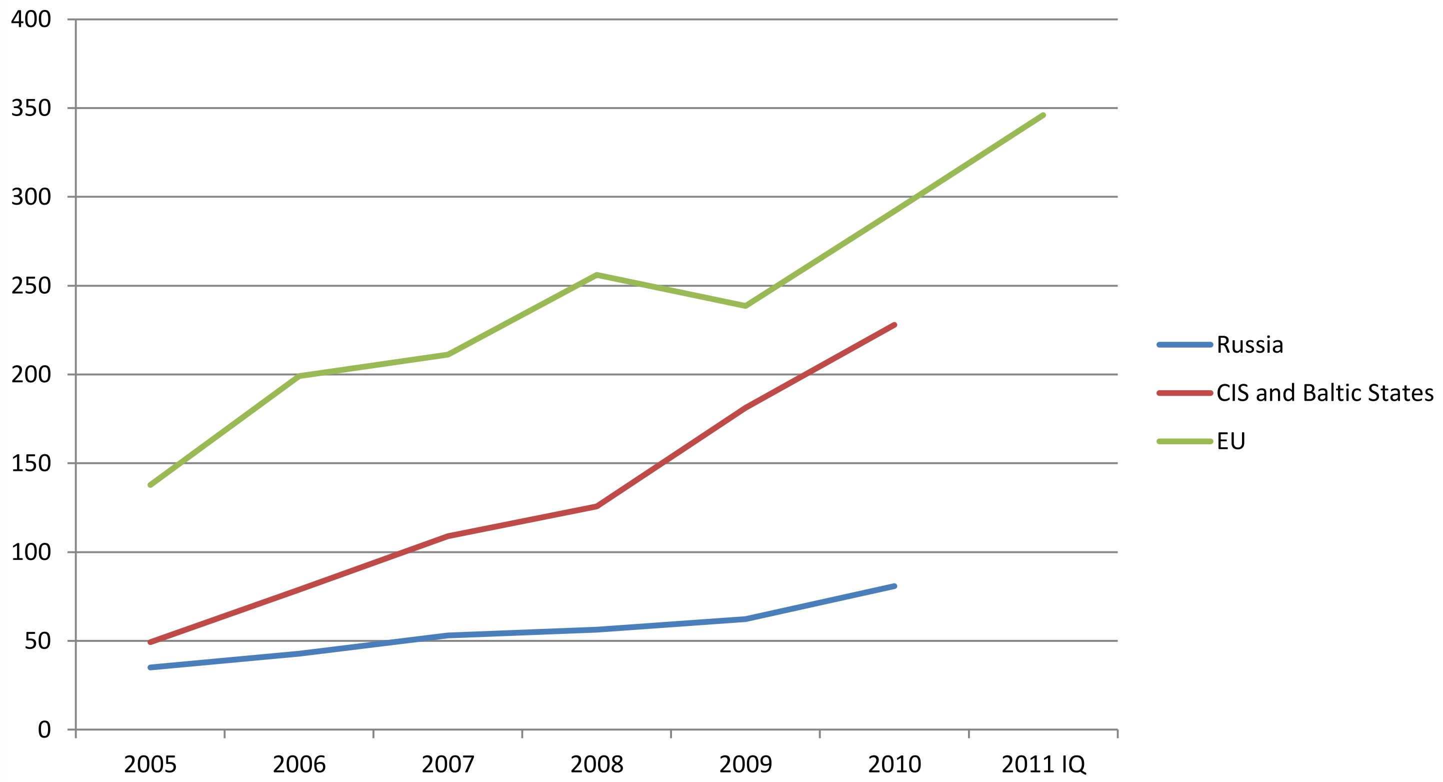
Article 10a of Directive 2003/87/EC

- Coal energy is one of the cheapest sources of energy. Rising energy prices will cause people to switch to burning coal to heat their homes, as currently, a large number use heat produced by power plants. This will increase greenhouse gas emissions (not controlled by the ETS) at a low altitude, which will subsequently have very negative consequences for the environment and human health.
- In accordance with Article 10a Directive 2003/87/EC, specific provisions should be implemented in such a way as to encourage greenhouse gas emission reductions. The current proposal does not provide incentives for such activities, but it goes further. **The current proposal may lead to the elimination of sources of greenhouse gas emissions in a large number of factories, through bankruptcy, due to their weak market positions. Bankruptcy of many companies is equivalent to a rise in unemployment. The social cost of this is too large and cannot be accepted. Therefore, regional conditions must be taken into consideration.**

Action taken by the European Commission aimed at increasing the share of natural gas in the EU energy mix

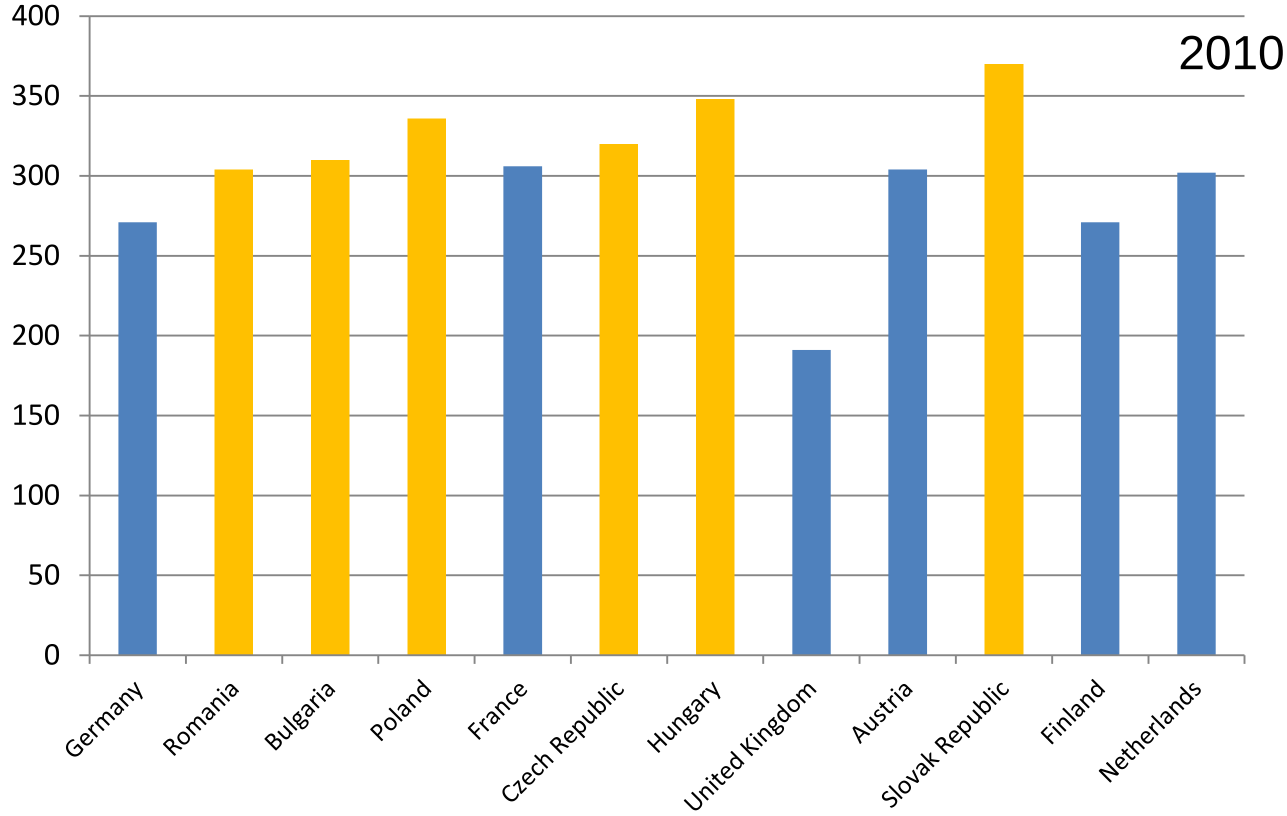
Gas prices, however, are not the same for all!

The average price of Russian gas in Europe (USD/1000m3)



Source:Rzeczpospolita

The average price of Russian gas in Europe (USD/1000m3)



Source: Interfax

Central European states are dependent on mainly one gas supplier

The proposed natural gas pipelines in Europe
NORDSTREAM

Nordstream gas pipeline will deepen differences between Central Europe countries and UE 15.

This will negatively affect the competitiveness of the CE economies

Nabucco will diversify the natural gas supply and is a chance for Central Europe countries, as concerns price levels.

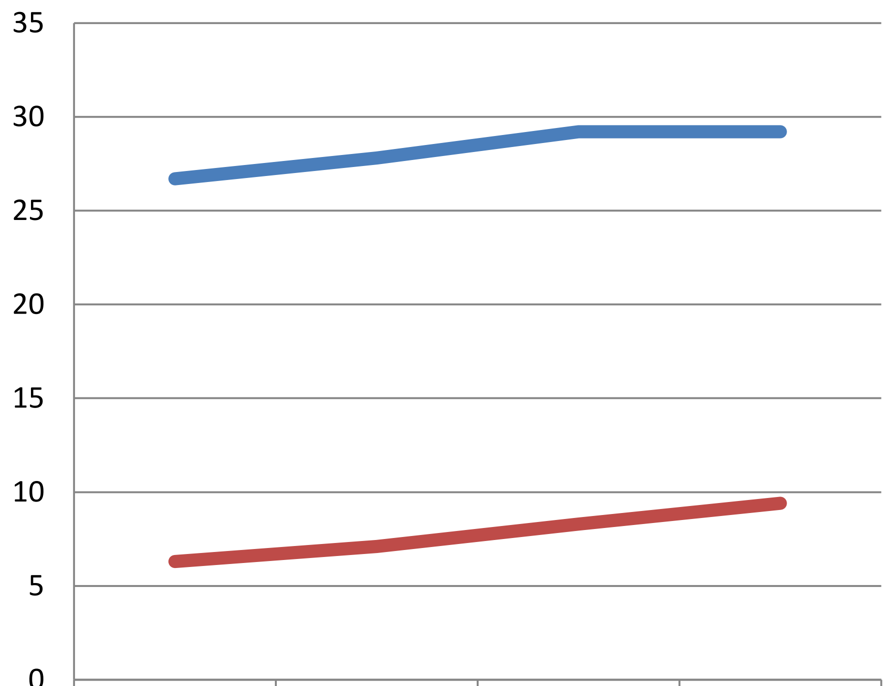
Other EU initiatives decreasing EU competitiveness:

- Directice 2009/28/CE - Renewable Energy Sources (including biofuels)
- Directive 2009/30/EC - Vapour pressure
- Directive 2009/30/EC - Article 7a
- Roadmap 2050

We would like to draw your attention to the following:

“*Support to less developed regions – both in the new Member States and in the current ones – is the first priority of cohesion policy. In these regions, direct support to industry will be accompanied by an improvement of the framework conditions in which these companies operate, as well as the extension and improvement of transport, telecommunications and energy infrastructures.”,* ***COMMUNICATION FROM THE COMMISSION : ‘Fostering structural change: an industrial policy for an enlarged Europe’*** *Brussels, 20.4.2004 COM(2004) 274 final* p. 32

GDP per capita (000'EUR) UE27



	2005	2006	2007	2008
saturated economies	26.7	27.8	29.2	29.2
not saturated economies	6.3	7.1	8.3	9.4

CEEP Proposal

Each Directive, or any other legal solution stated by the EU, should be justified by economic calculations concerning their influence on:

- The EU’s competitiveness against the USA, China, India, Brazil, and Russia, with a special chapter concerning the competitiveness of Central European countries;
- The economies of EU countries: taking into consideration their level of development and GDP, and natural resources of energy.

Central Europe Energy Partners

Thank-you for your attention