**Glass Alliance Europe paper on the EP ENVI Committee on the ETS reform.**

Glass Alliance Europe fully supports the decarbonisation objectives set in the Climate Law in order to address climate change and its harmful consequences on our planet.

The glass industry is committed to undertake the journey towards full decarbonisation. Several technologies exist or are under development to do so: electrification of the furnace, hydrogen and/or biomass combustion constitute promising technologies to further reduce emissions linked to combustion, representing about 80% of the greenhouse gases emissions in the glass industry. The remaining 20%, related to the decomposition of raw materials, are more difficult to abate but increased glass recycling, alternative raw materials or even CCS/U can bring solutions.

All these new technologies come yet with additional costs and the glass industry will have to invest massively to implement them. In the current context of sky-rocketing energy and carbon costs that already damage industry competitiveness and its ability to invest, this represents a huge challenge that should not be underestimated.

It is therefore particularly important:

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| 1. to design our climate policies in the most cost-efficient manner to safeguard our EU industrial basis and allow it to successfully transition towards a decarbonised future. 2. to protect the EU industrial basis with enough carbon leakage protection as long as no comparable measures are taken in the rest of the world in terms of effective carbon pricing. 3. To provide industry with enough certainty by not changing the rules to often in the middle of a trading period |

These are the 3 most important principles that we have used to assess the 1,711 amendments which were tabled on the ENVI Committee of the European Parliament.

In particular, Glass Alliance Europe asks the legislators

* to support amendments which:
  + are aligned with the Commission proposal in terms of reduction ambition for ETS sectors (ETS cap and Liner Reduction Factor)
  + delete the conditionality of free allocation to audits (free allocation should not be conditional to anything else than the carbon leakage assessment)
  + support the co-existence of free allocation and CBAM as long as CBAM is not proven effective against carbon leakage for imports and exports and not before 2030.
  + Delete the higher benchmark update rate (2.5%) and keep the initial one (1.6%)
  + Propose to increase the 3% buffer between the auctioning share and the free allocation share to avoid the Cross Sectorial Correction Factor
  + Address the issue of the COVID reference year 2020 for the second sub-trading period
* and to reject amendments which:
* call for a one-off cancellation of allowances as this adds additional costs to industry without any benefit for the environment (the cap will be reached without this cancellation)
* makes free allocation conditional to anything else than the carbon leakage assessment (like audits or decarbonisation plans)
* cancel free allocation for CBAM sectors before confirmation that CBAM is effective in avoiding carbon leakage for imports and exports
* Change the maximum and minimum benchmark update rates in the middle of the trading period

For all these aspects, Glass Alliance Europe is fully aligned with the position paper prepared by some ETS sectors (see accompanying paper) and its voting recommendations.

On top of these issues, Glass Alliance Europe wants to add specific voting recommendations on two additional topics:

* **Link between ETS and the Industrial Emission Directive (IED)**: some amendments call for inclusion of GHG in the IED. However, while the ETS is a market-based instrument incentivising investments in a cost-efficient manner, the IED is a “command and control” instrument based on Emission Limit Values, making the two approaches deeply incompatible. These amendments should thereforebe rejected on the ground of incompatibility and double burden.
* **The tiered approach**: some amendments call for a hierarchy between sectors in terms of carbon exposure and free allocation levels. A tiered approach is based on the theoretical assumption that sectors with lower carbon leakage metrics are able to pass on their costs to customers. This is a flawed assumption, not based on any evidence. Moreover, it neglects the fact that different sectors compete sometimes on the same market and that customers can easily switch from one to the other. A tiered approach will also penalize jobs intensive sectors. The carbon metric used to define the tiers is calculated as (CO2 emissions [kg] / GVA [€]) and is inversely proportional to the Gross Value Added (GVA). As GVA is including employees’ costs, this means that a sector employing many people can be in a lower tier than another sector, with the same CO2 emissions, but with less employees. This approach is therefore unfair and should be rejected.

This is summarised in the following table:

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| ***Topic*** | ***Amendments*** | ***Content*** | ***Assessment*** |
| ***Link between IED and ETS permits*** | 162, 165, 790, 791 | Link between ETS and the Industrial Emission Directive (IED): |  |
| ***Tiered approach*** | 368, 1221, 1222, 1227, 1228 | Hierarchy between sectors in terms of carbon exposure and free allocation levels. |  |

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