

# How an enhanced EU ETS can push industrial innovation

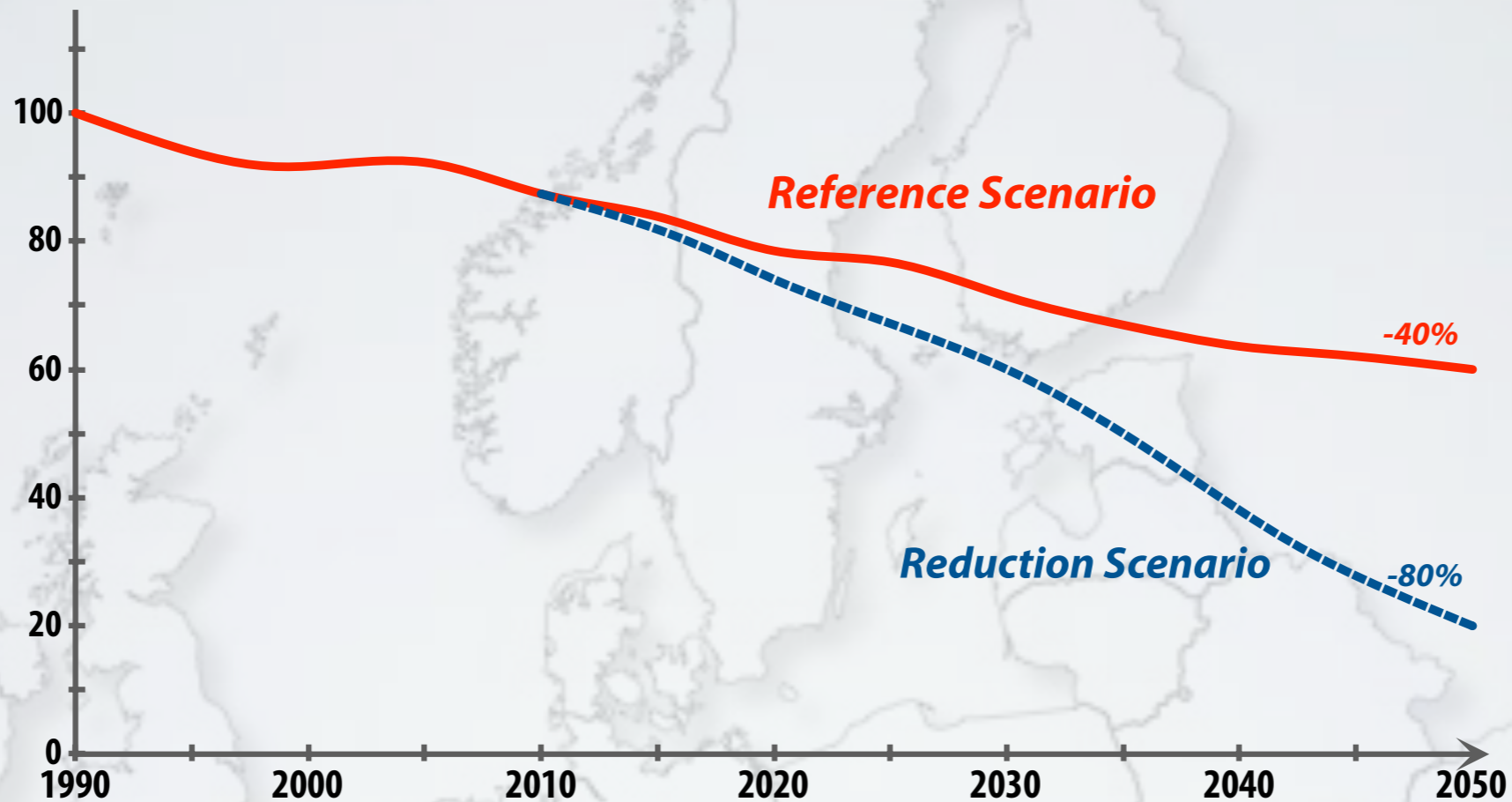
*A possible compromise*

#cop18 #Doha

Tomas Wyns, Director



# European Commission's 2050 low-carbon roadmap



## Reductions

-80 to -95% by 2050  
-80% = domestic, ref. 1990

## Investments

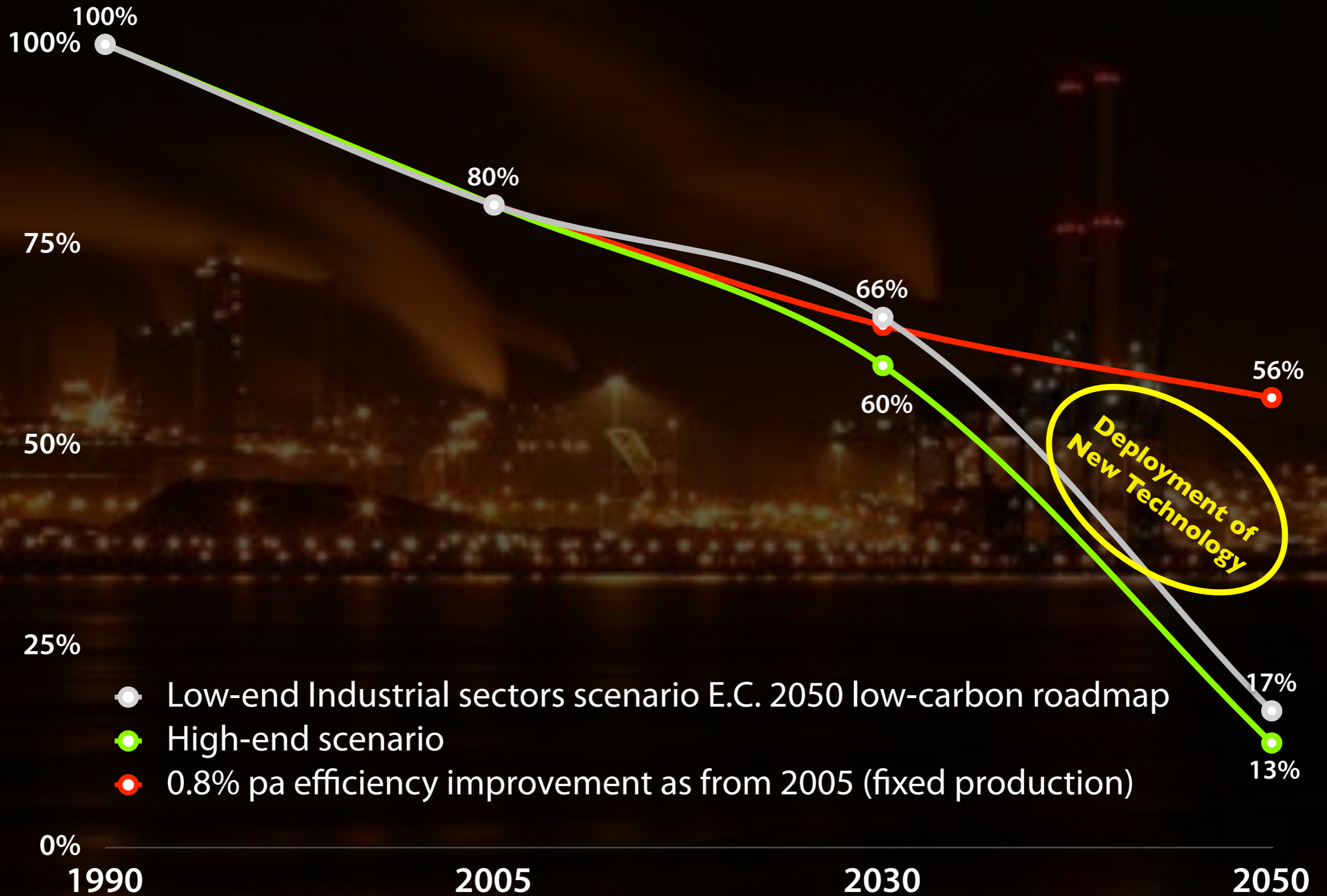
€270 Bn p.a.  
in EU economy:  
jobs  
infrastructure  
R&D

## Savings

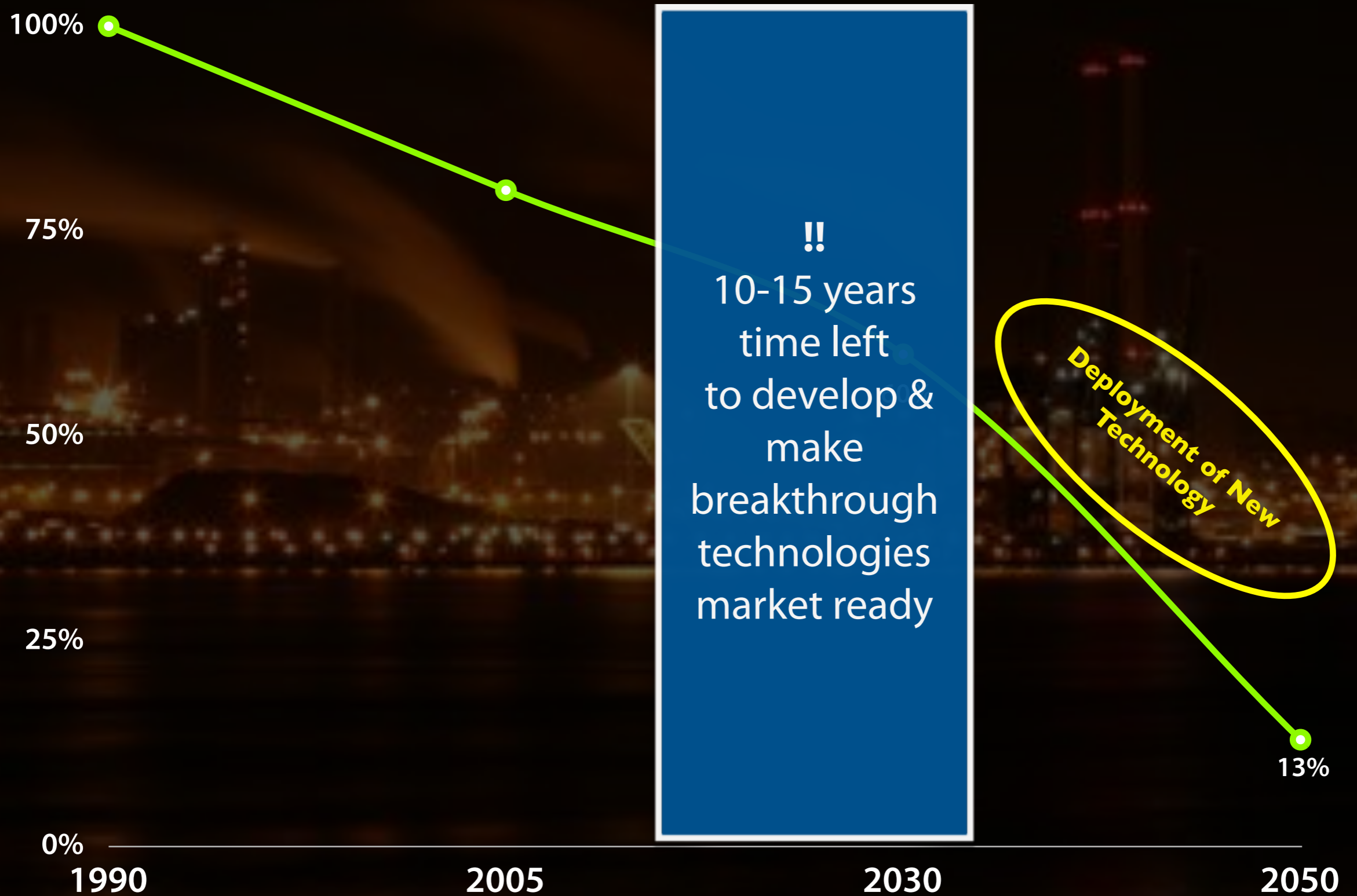
€170-320 Bn p.a.  
Fuel cost  
€88 Bn in 2050  
Air quality and health

**EU Member States agree on targets but not on interim milestones**

# 2050 projections for Industry



# 2050: The challenge for EU industry

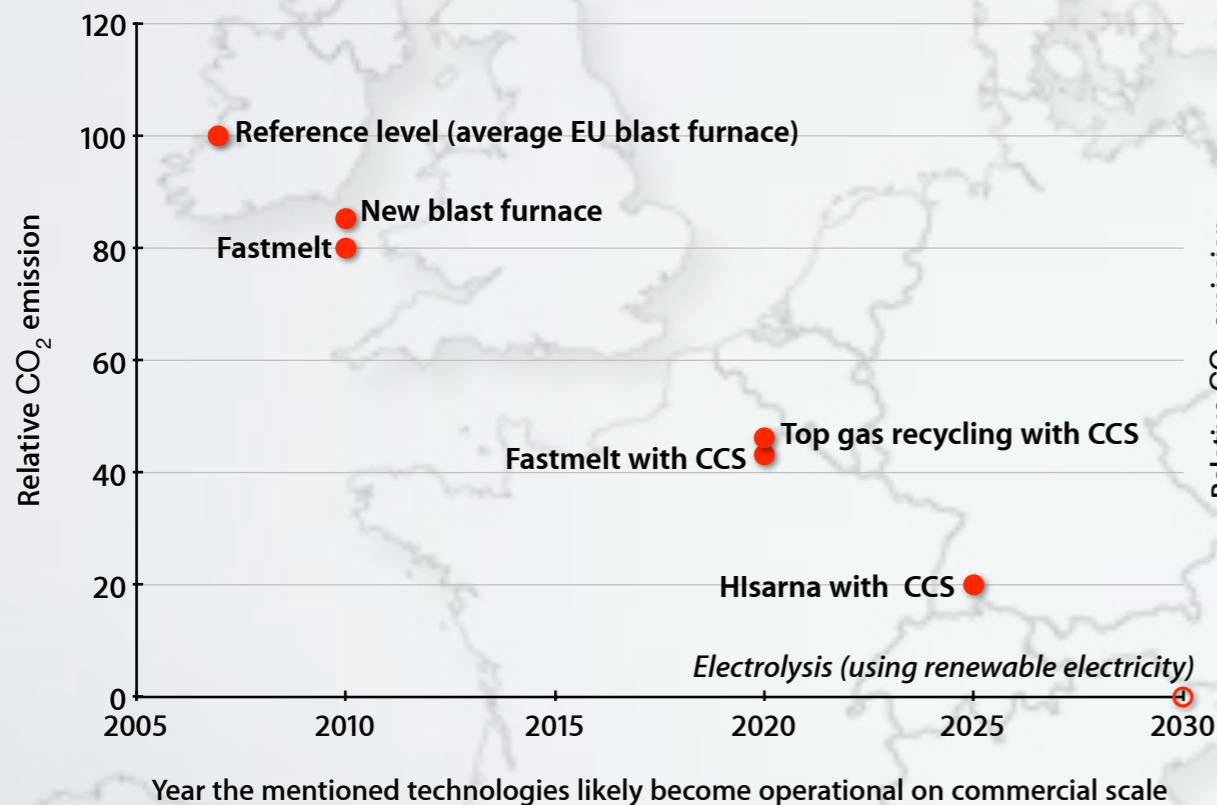


# Reduction Potential in some industrial sectors

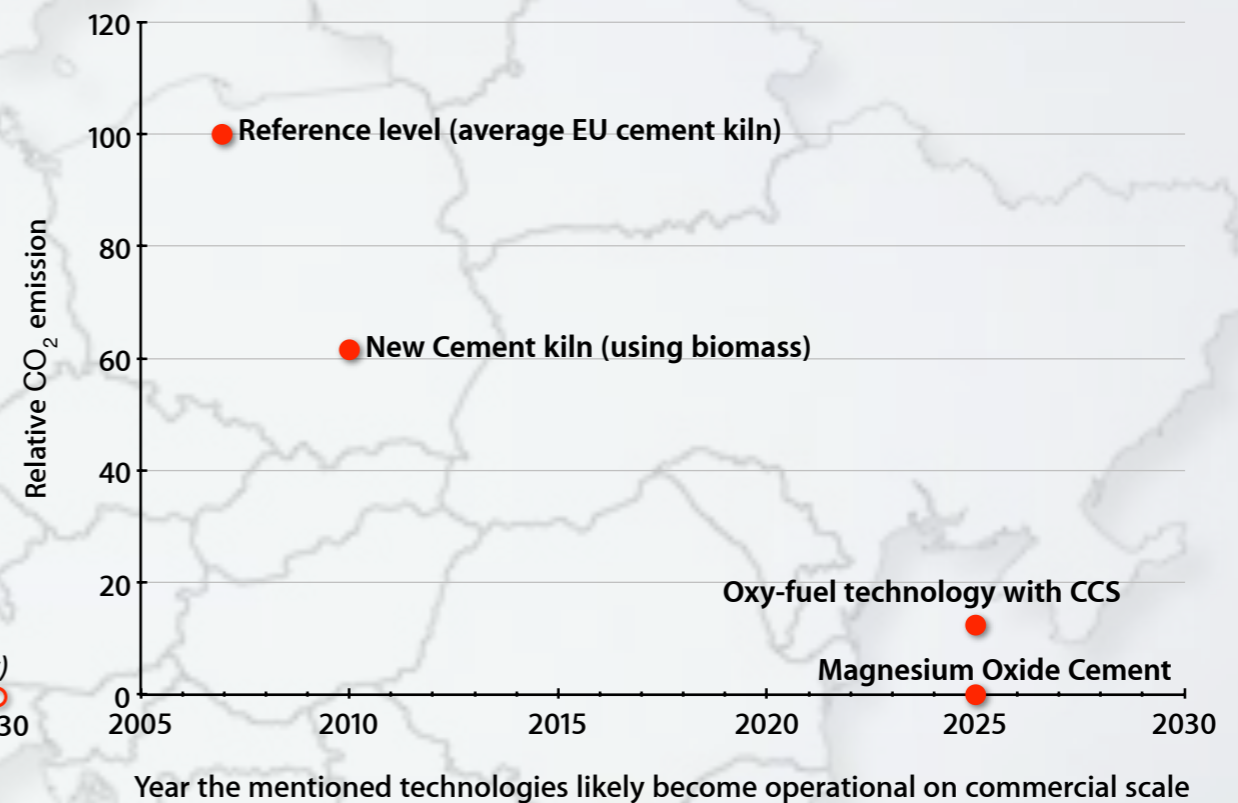


Deep reductions are possible in cement, steel, paper and chemical sectors (over time)

## Steel



## Cement



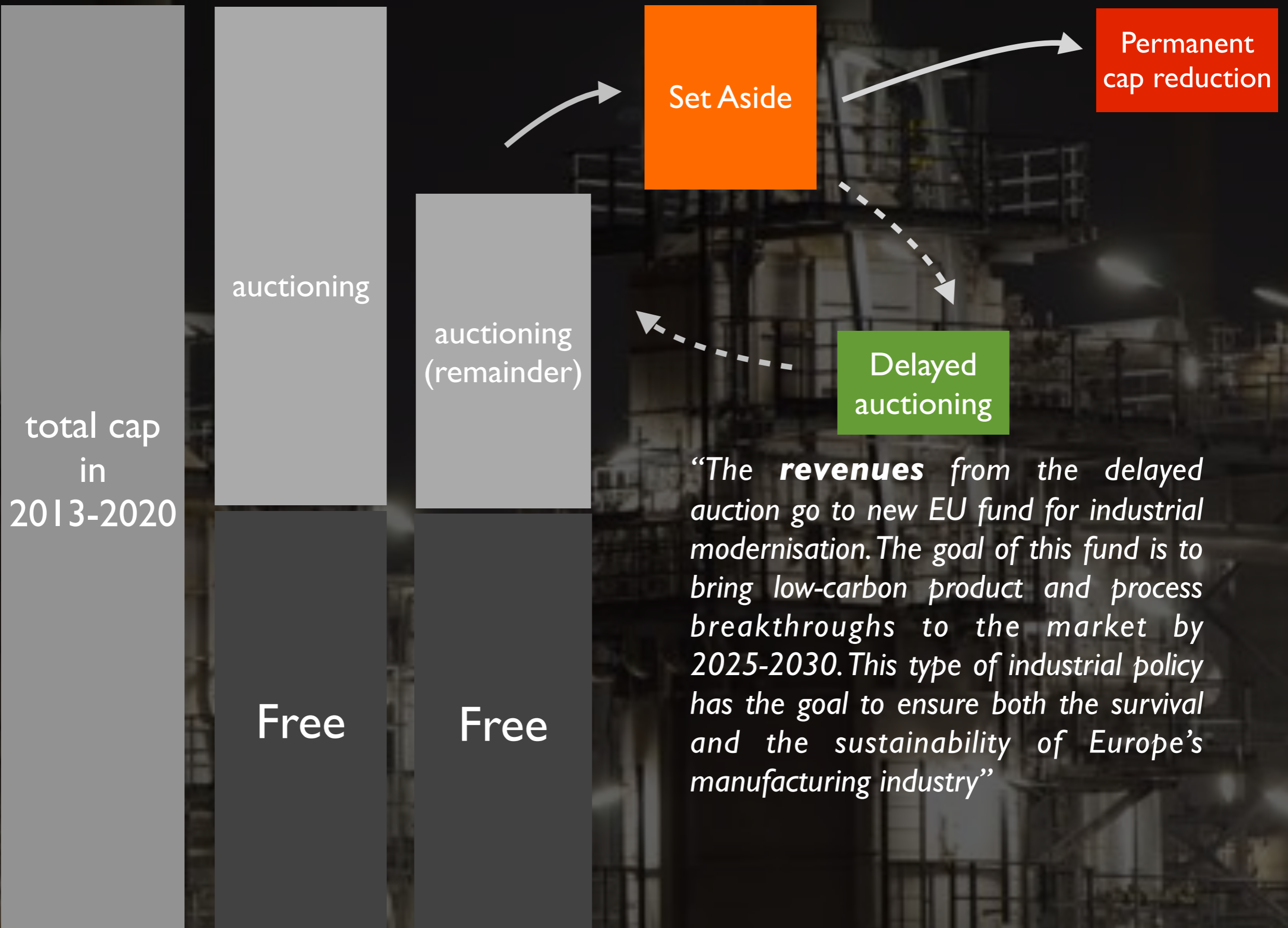
## Will the EU ETS bring about these breakthroughs?

- EU ETS is valuable carbon pricing instruments (cost-effective reductions driven by opportunity cost)
- **but** EU ETS will not bring about break-through technologies (e.g. ULCOS type). Costs and risks are too high.
- Complementary policy/support required
- There is a precedent (NER300) but that was “mainly” aimed at the energy sector

# Enhancing the EU ETS for innovation: a policy compromise

- immediate **intervention** in ETS through set-aside/delayed auctioning of EU allowances followed by
- **permanent scarcity** through changing ETS caps as soon as possible (but only auctioning part)
- recycle part of delayed auctioning into EU industrial **low carbon innovation fund** [similar to NER 300 approach]
- **Free allowances remain untouched** up to 2020
- **Carbon leakage list frozen** until 2020

# The policy compromise

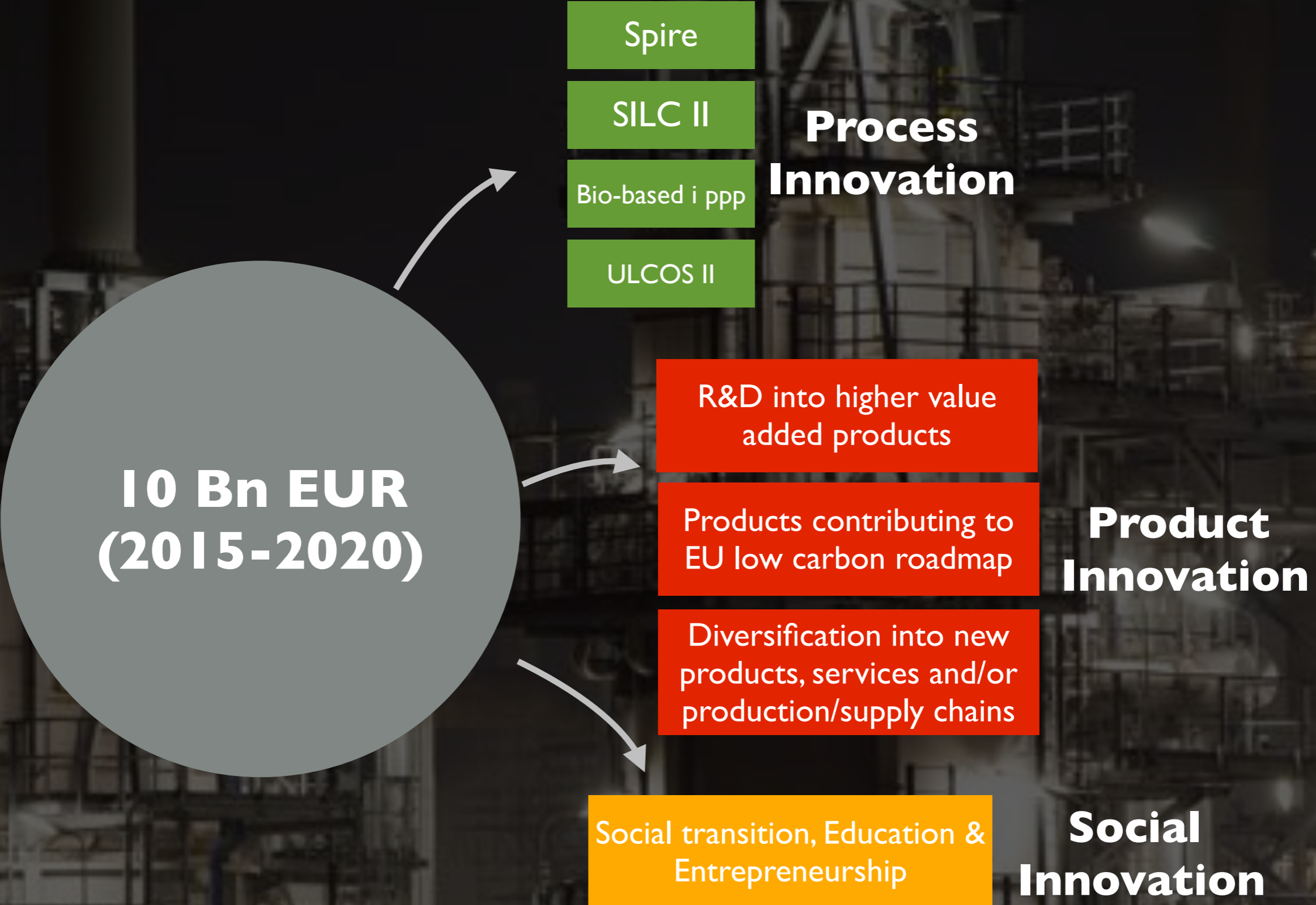




# EU ETS compromise concept: an example (!)



# Suggestions for industrial innovation policy/funding



Horizon 2020

*“The wall,  
the writing”*



**1.1 Trillion EUR  
by 2020** (\*)

Chinese public/private  
investments  
in 7 strategic emerging  
industries:

**Energy Saving & Environmental protection**  
**Next gen IT**  
**Biotech**  
**High end equipment manufacturing**  
**New Energy systems**  
**New Materials**  
**New Energy vehicles**

(\*) <http://mobile.reuters.com/article/idUSTRE7AK0MT20111121?irpc=932>



**130 Bn EUR**  
part of EU MFF 2014-2020

**Horizon 2020: 80 Bn**  
**CEF: 50 Bn**  
**best case scenario**



“Innovation distinguishes between  
a leader and a follower”

Steve Jobs

Thank You

Tomas Wyns  
[twyns@ccap.org](mailto:twyns@ccap.org)

