

EU ETS – Commission Brexit Rule Changes Cause Uncertainty for UK Paper Mills



The European Commission has moved prematurely to change the rules that govern the allocation of EU European Trading System (EU ETS) permits to UK operators without reference to the Brexit negotiations.

Installations in regulated sectors are required to monitor and report their emissions of fossil carbon and provide permits to cover them. A limited number of permits (based on the heat requirements of the most efficient installations and reduced in number each year) are distributed free of charge to protect industrial competitiveness and support a drive for improved efficiency.

The scheme has strict legally binding rules that set hard deadlines for reporting and providing the correct number of permits to the regulator – most paper mills in the UK are short of allowances and are required to purchase additional units on the open market.



Andrew Large, CPI Director General

The Brexit complication is that, in the event of a hard-Brexit, the UK could leave the European Union in March 2019, before the legal deadlines for 2018 reporting have passed. The Commission has moved to change the rules so that any UK issued allowances issued after the start of 2018 cannot be used for compliance, resulting in considerable uncertainty for UK papermakers. While the UK Government has proposed an alternative by offering to bring forward 2018 compliance dates so that the process would be finished by the Brexit date, the Commission is proceeding with its original plans and is only willing to change them after the UK has acted.

CPI has consistently called for the UK to commit to staying in EU ETS until the completion of the current phase that ends 31/12/2020 – such an agreement would remove uncertainty and mean obligated companies could plan for compliance with certainty.

Andrew Large, CPI Director General, commented:

“This is a very unwelcome development in the context of the ongoing Brexit negotiations. The future relationship between the UK and EU27 will require flexibility and imagination on both sides and I call on both the UK Government and the European Commission to negotiate a mutually satisfactory compromise. EU ETS is a cornerstone of European policies to address climate change and politicians could easily get this issue resolved.

With a small amount of goodwill on both sides a huge uncertainty over the future of EU ETS could be resolved and industry could at least plan with some certainty for 2018 compliance. If this issue remains unresolved our Members will be put in an impossible position from January next year.”

ENDS

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NOTES TO EDITORS

- **Facts and figures** – UK paper mills reduced their annual emissions of fossil carbon dioxide by 3.4% (2015 to 2016), and in total, they have reduced emissions by 48.5% compared to 2008. A Press Release on this issue can

be found at: www.paper.org.uk/news/2017/EUETSfiguresApril17.pdf

- The CPI Position Statement on Brexit and EU ETS can be found at:
www.paper.org.uk/information/positionpapers/cpi/EUETS_BrexitSept17.pdf
- The Commission Press Release on this matter can be found at:
https://ec.europa.eu/clima/news/commission-proposes-safeguard-measures-eu-emissions-trading-system_en
- The Confederation of Paper Industries (CPI) is the leading trade association representing the UK's Paper-based Industries, comprising paper and board manufacturers and converters, corrugated packaging producers, makers of soft tissue papers, and collectors of paper for recycling.
- CPI represents an industry with an aggregate annual turnover of £6.5 billion, 25,000 direct and more than 100,000 indirect employees.
- For facts on the UK's Paper-based Industries please visit: www.paper.org.uk.