



6 March 2020, Brussels

Final draft Starch Europe answer to the consultation on the Commission's draft "Guidelines on certain State aid measures in the context of the system for greenhouse gas emission allowance trading post 2021"

Starch Europe welcomes the opportunity to provide feedback on the draft *"guidelines on certain State aid measures in the context of the system for greenhouse gas emission allowance trading post 2021"* – here below the draft guidelines. We nevertheless regret a number of things both in the draft guidelines and in the consultation process that has been launched, as explained below. In particular, Starch Europe regrets that the manufacture of starches and starch products is not covered by the list of sectors eligible for such State aids. This outcome is in contradiction with the conclusions of the report, submitted by Starch Europe in March 2019, and prepared by Navigant who has a long experience in working with the European Commission and with stakeholders on EU ETS discussions.

Comments on the draft guidelines

On the draft guidelines, our comments are focused on the list of sectors eligible for State aids for the compensation of EU ETS indirect costs. Despite the extensive information provided to the Commission, we regret that the conclusion so far is to not consider the manufacture of starches and starch products (NACE 10.62) as being at risk of carbon leakage due to ETS indirect costs. We understand that thresholds have been defined to consider sectors as eligible or not (indirect emission intensity, trade intensity) and that the values for NACE 10.62 are below the thresholds. Nevertheless, the trade intensity values provided in March 2019 by Starch Europe, using the Commission's methodology and Eurostat's data, would have led to different values. We would therefore be interested in having more information on the data used for the calculation of trade intensity.

Comments on the consultation process

Another concern is the fact that the consultant's report¹ concludes that the sectorial analyses, as presented in individual sector fiches, confirms that the methodology retained for the quantitative assessment is appropriate to assess the risk, for sectors, of being at risk of carbon leakage due to ETS indirect costs. Nevertheless, the sector fiches are not available at this stage and will not be, as reported, before the end of the consultation period. The consultant's report highlights that the risk of carbon leakage due to EU ETS indirect costs is low, in all assessed scenarios, for the manufacture of starches and starch products. This assessment differs from the conclusions of the report submitted by Starch Europe to the Commission in March 2019. This report assessed, amongst others, the possibilities of the sector to pass on ETS indirect costs to customers, but also the possibilities for further emission intensity reductions. The report shows that these possibilities are limited and that increases in ETS indirect costs would, in the absence of compensation, impact the sector's competitiveness and hence its risk of carbon leakage. In the absence of the sector fiche, it is nevertheless not possible to compare the findings and understand the conclusions drawn by the Consultant and by the Commission.

Request for further assessment of the draft guidelines

As it is not possible to fully assess the conclusions of the consultant's assessment, and the account taken of the report submitted by Starch Europe to the Commission in March 2019, we would like to ask that the sector fiches be made available to stakeholders. We would also like to ask that a qualitative assessment be made possible. This would allow taking into account the specificities of the sector and would allow a better understanding of the decision ultimately made by the Commission.

Possibility of a prodcom level assessment:

Based on the above, we would also like to request the possibility to refine the assessment at prodcom level, to assess the risks of carbon leakage due to EU ETS indirect costs for the most sensitive products of our sector. Should this possibility be confirmed, we would evaluate the opportunity of carrying out a new study assessing the eligibility of some of our products at prodcom level.

Conclusions

Based on the above, we would like to point again at the conclusions of the report by Navigant, that indicates that the sector would see its competitiveness decreased in the absence of compensation for ETS indirect costs. This report was based on solid data collected from starch installations covered by the EU ETS, and/or coming from official sources. And as pointed out, it was prepared by Navigant who has an extensive experience in assessing the impact of the EU ETS.

¹ Combined retrospective Emission Trading System (ETS) State Aid Guidelines, Final report, prepared by ADE and Compass Lexecon

We would therefore ask that:

- The outcome of the report's assessment is published, to better understand the conclusions drawn in the draft guidelines**
- the draft guidelines are revised to take into account the risk of carbon leakage due to ETS indirect costs, by either:**
 - reconsidering the chosen methodology, or;**
 - by adjusting the threshold currently retained to adequately cover sectors at risk of carbon leakage, or;**
 - offer the possibility to fine-tune the assessment, either on a qualitative basis and/or on a quantitative basis but at a more disaggregated (prodcom) level.**