

## **CIP reply to the public consultation on the ETS State Aid Guidelines review**

Portuguese industry is available to contribute to the construction of a climate neutral Europe by 2050. In this sense, we believe that electricity will play an increasing role in the efforts of the manufacturing industry to evolve towards decarbonization. Future industrial investments in decarbonization, which will imply greater consumption of electricity, can, however, be deterred in the absence of adequate compensation for indirect costs.

The methodology of evaluation of indirect costs adopted, and its implementation, raises doubts. That is why we argue that the two lists of sectors exposed to carbon leakage risks, direct (under the terms of the CELE Directive) and indirect (under the CELE Guidelines for State Aid), should be established based on the same methodology and criteria .

According to the CELE Directive, compensation for indirect costs should be for all sectors exposed to the risk of carbon leakage and not just for those most exposed as suggested in the Guidelines.

We would like to emphasize the importance of ensuring consistency in the method and criteria used for the lists of sectors subject to direct and indirect carbon leakage risk. The methodology for indirect quantitative assessment of carbon leakage should reflect the threshold of 0.2 defined in the ETS Directive, without adding additional quantitative indicators. In this sense, all sectors at the threshold boundary must be able to be assessed qualitatively. For example, qualitative assessments should be carried out for sectors above the 0.15 threshold, as provided for in the ETS Directive. The role of qualitative assessments cannot be compromised. Qualitative assessments are essential to avoid distortions of competition in the domestic and international markets. In addition, the implementation and outcome of these qualitative assessments must be fully transparent.

The known differences in electricity costs between Member States and between the EU and third countries, and the discretion given to Member States to decide, by choice or budget availability, whether to grant compensation for indirect carbon costs, generate a significant risk of distortions of competition within the EU and between the EU and third countries.