Industry lobbying on emissions trading scheme hits the jackpot: the cases of Arcelor Mittal and Lafarge

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Climate Change Commissioner Connie Hedegaard has indicated that the EU could increase the EU target for CO2 emission cuts to 30% by 2020, from 20%. The suggestion, currently being discussed by the Commission, has intensified opposition from energy intensive industries, including the cement and steel sectors, which have repeated threats that they will be forced to relocate outside the EU. Yet recent figures show that industry has benefited significantly from EU climate policy. Arcelor Mittal, Lafarge and other companies will have a huge surplus of CO2 emissions permits at the end of the second phase of the EU's emissions trading scheme (ETS) in 2012, just as in phase one (2005-2007). These permits were received free of charge and are worth hundreds of millions of euros. Research by Corporate Europe Observatory shows how these companies have lobbied EU institutions intensively to ensure they retain these benefits in the next phase of the ETS (2013-2020). By using threats of relocation and increased global emissions (carbon leakage), plus scaremongering about massive job losses, these industries have managed to ensure that the ETS will remain a way of providing significant subsidies for some of Europe's worst polluters.

The European Commission has an opportunity to reverse this situation in the next few weeks. By June 2010 it has to submit its assessment of the proposal for dealing with carbon leakage. The huge assets gained by European manufacturing industries reveal the flaws in their claims. They should not be entitled to more free allocations. In the same way, the Commission must resist industry's demands and move quickly to go beyond a 30% commitment.

Arcelor Mittal: intensive lobbying brings big money

When Lakshmi Mittal wrote to the then Commissioner for Environment Stavros Dimas in December 2006, it wasn't to send his Christmas greetings[1]. The owner of the giant steel maker had sent a similar letter to Enterprise Commissioner Günter Verheugen warning about the impact that the next phase of the Emission Trading Scheme (ETS), would have on the company. “Arcelor Mittal is likely to have a large shortage in CO2 allowances of several Mt/year”, complained Mittal.

The ETS is a cap and trade system introduced in 2005 in which industry participants can buy and sell emissions allowances within an overall limit or “cap”.

Mittal targeted the Environment Commissioner because Dimas was not happy with member state proposals for allocating permits to emit CO2 to installations under the ETS - the National Allocation Plans (NAPs). The Commissioner believed national governments were being too generous in their allocations, and that this would result in a failure to cut CO2 emissions. The Commission had therefore asked national governments to reduce the number of planned allowances, a request which appeared reasonable given that the first phase of the ETS had failed to reduce emissions, mainly as a result of an over-allocation of permits, following lobbying by industry.

The steel industry is very energy intensive. According to the most recent IPCC report, it is responsible for 6-7% of man-made global emissions[2]. A report by the Carbon Trust puts the steel industry's contribution to EU CO2 emissions at 20%[3]. According to the latest ETS figures published by the Commission the iron and steel industry emitted 133,276,241 tons

of CO_2 equivalent in 2008 and 94,053,080 tons in 2009[4].

Arcelor Mittal had already lobbied national governments in the countries where they were operating – Germany, France, Belgium, Spain, Luxembourg, Poland, Czech Republic and Romania – to ensure they received a generous number of allowances, apparently with success.

"Arcelor Mittal has been in contact with all governments during the preparation of their national allocation plans and most, if not all, governments took into consideration the progress achieved to date, the potential for the future, and the needs for the steel industry," Mittal wrote in the letter.

He claimed that his company, the biggest steel maker in the world, would be forced to buy additional CO_2 allowances if governments adjusted their NAPs according to the Commission's proposals and that "could accelerate steel production outside the EU where CO_2 emissions are even higher." This, relocation to countries with no CO_2 constraints causing an increase in global emissions is what became known as carbon leakage, and this threat was much repeated by the steel industry and others in their lobbying on the ETS.

Mittal got his way. In 2008 Arcelor Mittal had a surplus of 20.5 million allowances[5], according to research carried out by Corporate Europe Observatory (CEO)[6]. More recently the UK-based NGO Sandbag[7] estimated that Arcelor Mittal will have around 100 million surplus allowances at the end of the phase II of the ETS (2008-2012) with a value of close to 1,400 million euros[8]. The company also had a huge surplus with 58 million spare allowances in phase one[9]. The 2009 financial report reveals that Arcelor Mittal has earned 108 million euros selling permits since 2007[10] and this is just a fraction of what their remaining surplus of permits is worth. Arcelor Mittal's strategy is to not sell all the surplus, but to keep a significant proportion for future use. The iron and steel sector has benefited from generous over-allocations. According to latest Commission figures, it was allocated 184,949,947 allowances in 2009 while the verified emissions were in fact just over half that amount (94,053,080 tons)[11].

These figures show that the excessive allocation is not a one off, or a result of the financial crisis. Nor is it a mistake in the design of the early stages of the ETS, but it is in fact a result of the permeability of the system to industry lobbying. It is not restricted to Arcelor Mittal or to the steel sector. Other industrial sectors have also received over-allocations and as a result many of the worst polluters get rewarded with free permits worth millions of euros[12].

Lafarge: 142 million euros in 2009

The cement sector is another good example. Lafarge, the French company which ranks top among the cement manufacturers benefiting from the ETS will end phase II with an estimated surplus of more than 23 million allowances, worth over 300 million euros[13]. Their 2009 financial report states that Lafarge made 142 million euros from the sale of carbon credits in 2009, ending the year with one in three of the 28 million allocated permits unused[14]. The company says in their annual report that in 2010 the freely allocated permits

will also “exceed our needs”[15]. Cement production is also highly energy-intensive, responsible for 5% of man-made global emissions, according to the IPCC, half of which come from the cement-manufacturing process and half of which are from direct energy use[16]. According to a report by Carbon Trust[17], the cement industry “accounts for more CO2 than all the world's aviation, by a large margin, and in Europe for about 10% of all the emissions covered by the EU ETS”. The latest Commission figures[18] for the cement and lime sector show that emissions in 2008 were 189,028,765 tons CO2 equivalent and 149,779,927 in 2009.

Carbon leakage: the threats continue

Given that these companies (and most others in the same industrial sectors) have gained windfall assets every year since the start of the ETS without making the corresponding emissions reductions at source, EU policy makers might be expected to change this perverse mechanism. Indeed, when the Commission published its proposal for a review of the ETS in preparation for phase III (2013-2020) in January 2008, it envisaged an end to the free allocation of permits and a switch to a gradual increase in auctioning for the manufacturing sector, with 100% auctioning by 2020.

But a massive lobby campaign waged by energy intensive industries (including cement, steel, chemicals, refineries, paper) made the Commission backtrack and the final Climate and Energy Package established free allocations for industry sectors affected by carbon leakage. Industry had claimed they could not bear the costs of paying for permits and they threatened that they would be forced to relocate to other countries where they would not face such CO2 constraints. The move would cost jobs in Europe and would result in increased emissions (carbon leakage[19]) partially as a result of increased transport.

In December 2009, the Commission approved the final list[20] of sectors deemed to be at risk from carbon leakage and which are therefore entitled to free permits. One hundred and sixty four sectors, accounting for more than 75% of emissions from the manufacturing sector, including the steel and cement sectors, are entitled to permits to continue polluting for free. Arcelor Mittal and Lafarge can continue making money from a policy meant to fight climate change.

Exploiting the loopholes

But industry is also benefiting from the surplus of permits in other ways. Lobbying by industry has resulted in a major loophole in the system: the banking of permits. According to the rules, companies can keep any surplus permits they hold to use in the next phase. So Arcelor Mittal can start phase III with a surplus of almost 100 million permits. This means they will not need to make emissions cuts. The same goes for other companies, such as Lafarge, that have accumulated permits. They can sell them now and make windfall profits, sell them later when the price of the CO2 might be higher and make yet bigger profits, or keep them and use them to cover future emissions, potentially avoiding the need to make cuts. Either way it helps their profits but not the fight to avert climate change.

As environmental groups have repeatedly warned, giving in to industry demands because of carbon leakage renders the ETS ineffective. Companies which receive permits for free

are not affected by a carbon price signal and are not given any incentive to switch to less polluting products, continuing instead with business as usual. The main signal that the ETS is sending to companies is to lobby national governments and the Commission as much as possible for a generous allocation of permits and to keep them free.

Lobbying on carbon leakage

Corporate Europe Observatory has obtained evidence of the lobby exerted by the energy intensive industry in the EU through the regulation on access to information. The Commission has released documents showing the high level of correspondence and the number of meetings that energy intensive industries have had with officials and Commissioners, mainly the then Commissioner for Environment Stavros Dimas and Commissioner for Enterprise, Günter Verheugen.

Both Arcelor Mittal and Lafarge lobbied vigorously against auctioning and other features proposed in the review of the ETS. They lobbied national governments where they operate and the Commission, both in their own right and through the trade association for the steel sector, Eurofer and through Cembureau, the trade association for the cement industry.

While DG Environment was initially in charge of the ETS review, once carbon leakage became an issue, DG Enterprise became responsible for drawing up a list of sectors which would be exempt from paying for allowances. Information released by the Commission shows that Arcelor Mittal had at least five meetings with Commissioner Verheugen and other DG Enterprise officials between January 2008 and May 2009. The EU lobby group for the steel industry, Eurofer, had seven meetings with DG Enterprise officials in the same period. Lafarge chief executive Bruno Lafont also met Commissioner Verheugen to discuss the impact of the ETS on his company, and Cembureau had four meetings with DG Enterprise between February 2008 and February 2009. No minutes were taken of those or any other meeting held with industry on the issue of carbon leakage or the review of the ETS, so is not possible to scrutinise what was discussed. The same policy of not taking minutes was followed by DG Environment.

Lafarge: threat to relocate

The Commission has released correspondence between these companies, their lobby groups and DG Environment, DG Enterprise and Commission President Jose Manuel Barroso. These letters reveal a common theme: that if the original proposal in the ETS review to progressively shift to auctioning were to go ahead, the increase in costs would impact on their competitiveness and they would be forced to relocate outside of the EU to avoid the increased costs. Cembureau's chief executive Jean Marie Chandelle for example wrote to President Barroso in October 2008 urging him to recognise the vulnerability of the cement industry to carbon leakage, “Any delay, and the resulting uncertainty, is already impeding decisions to invest in Europe”[21]. In another example, the managing director of Lafarge Cement UK wrote to Commissioner Verheugen, threatening to stop investments if the decisions on which sectors were deemed at risk of carbon leakage were not taken before the end of 2009, specifically mentioning a plant in Kent[22].

Companies were also directly lobbying member states, where they have considerable influence. This was the case, for example, for Lafarge and the French government, which

championed the position of the French giant in EU Council discussions.

Governments flexed their muscles in the Council and it was decided that a list should be drawn up identifying those sectors at risk of carbon leakage according to several criteria. As a result of lobbying by the cement sector, particularly Lafarge, one of the criteria included was an increase in production costs, either directly or indirectly, of more than 30%. The cement and lime sector were the only ones out of the 164 to qualify on that basis. In reality, the cement sector's exposure to international trade is relatively weak, and therefore the risk of losing business to industry abroad less acute than claimed. According to a recent study by Carbon Trust[23], granting free allowances to the cement sector would rise the sector's profits by £0.7bn – £3.4 bn a year in Europe without necessarily preventing leakage.

Eurofer: drafting amendments for MEPs

Eurofer, the steel sector trade association – whose members include national steel associations and the biggest steel companies such as Arcelor Mittal, Corus and ThyssenKrupp – has been lobbying for free permits on the basis of carbon leakage. Eurofer repeatedly put forward their demands to member states, the Commission and the European Parliament. As well as demanding free allocation of permits, Eurofer pushed for using 1990 as the baseline for the 21% emissions reduction target by 2020 rather than 2005, which would result in a far lower target. They also demanded compensation for any increase in electricity costs.

Eurofer also put forward detailed amendments to the proposals under the ETS review. The German Christian-Democrat MEP Karl-Heinz Florenz and Finnish Eija-Rita Korhola directly tabled amendments drafted by Eurofer for an important vote in the European Parliament's Environment Committee in October 2008, designed to significantly benefit the steel industry. The document tabled by the MEPs was drafted directly by Eurofer, as revealed by the document properties[24]. What is worse is that the text was actually presented by Florenz as a compromise - usually the result of negotiations among Parliament groups and not the views of the affected industry with a huge commercial interest in the vote. The Parliament's Environment Committee in fact rejected many of industry's demands on carbon leakage, but Eurofer and other industries continued their campaign focusing on key national governments and the European Commission, particularly on DG Enterprise. In November 2008, Axel Eggert from Eurofer sent DG Enterprise detailed amendments to the text which had been agreed on by the Environment Committee. Eurofer also prepared manifestos for the new Commission and the new Parliament including their demands on EU climate policy[25]. In the end, the final negotiations of the Climate and Energy package swept away the Parliament's position with the Council forcing through many of industry's demands.

Job losses: a reliable ace

Both the steel and cement industry used a familiar argument in their cases for free permits – reduced competitiveness, they argued, would result in massive job losses in the EU. In early December 2008, Eurofer organised a demonstration of 10,000 metal workers in Brussels, protesting that they would lose their jobs as a result of relocation. Two directors from Arcelor Mittal Bremen sent a letter to Commissioner Verheugen in January 2008

warning him that the auctioning proposal directly threatened 90,000 jobs in Germany and indirectly threatened many more. They claimed that it would cost the German steel industry two billion euros by 2020[26]. More recently Eurofer warned that "If steel making is forced to migrate from Europe, others will follow in its stream, such as huge parts of the automotive and machinery sectors, leading to a massive loss in European jobs and expertise"[27].

Although decision-makers have clearly been very receptive to the jobs argument, the fact is that in many cases industry threats and claims are not based on evidence, but on a fruitful lobby strategy. For example, Arcelor Mittal previously threatened to relocate from Belgium and France if it did not receive a certain amount of free carbon credits. Yet the company went on to close down plants and cut jobs, despite receiving free allowances[28] .

What is more, decisions to move out of the EU depend on far more than the "carbon factor". Industry lobbying for free allocations suggests that if they have to pay for allowances they will relocate, but does not consider other elements such as reputational loss, border taxes, or the availability of skills and infrastructure.

The ETS and Competitiveness

The rationale behind the ETS is that it cuts CO2 emissions and creates incentives for climate-friendly innovations and so moves industry onto a low carbon path. Yet it has failed to do so. The main reason is that is very malleable to industry demands. Corporate lobbying has resulted in allowances being "over-allocated" to industry – ie. industry has been given more emissions permits than it needed – which in turn has resulted in major falls in the carbon price. In addition, industry has been allowed to "offset", to get credits by investing in projects in third countries instead of reducing emissions at source. This has allowed corporations to avoid making the structural changes needed.

However, a deeper problem is the predominant ideology in the Commission and among Member States that the competitiveness of big business over-rides any other concern, even one of such excruciating urgency and size as climate change. This bias run against the interests of smaller companies and local economies as well, and makes it easier for corporations and their lobby groups to resort to this argument and kill or weaken every measure originally designed to bring about progressive environmental or social measures. It was also industry lobbying around competitiveness that led to the ETS in the first place as the main policy to reduce emissions in the EU (instead of other policy approaches like CO2 taxes or other curbs). Five years on, this policy has clearly failed and has instead rewarded the worst polluters with big profits.

Maybe it is time to consider switching to other more effective policies and admit that a market-based approach has been a solution for business, but not for the climate.

Flawed studies and the economic crisis

To back up claims of job losses and dramatically increased costs, industry lobbyists often produce 'independent' studies. A good example of these are the studies produced by the chemical industry against REACH, the EU regulation of chemical products, where the industry hugely inflated both the costs that would be born by industry as a result of the regulation and the number of jobs that would be destroyed[29]. In the case of the ETS and the proposed auctioning of allowances the same tricks were used, with inflated figures which were cloaked with the supposed objectivity of an independent consultancy.

Cembureau promoted a study by the Boston Consulting Group among national governments, the Commission, Parliament, and cement worker unions, even sending draft versions of the report to the Commission to press for early recognition of the risk posed by carbon leakage to the EU's cement industry. The report claimed that at prices of 35 euros per CO2 ton, as expected in phase III of the ETS, all production in the EU would relocate, and that at prices of 25 euros per ton, more than 80 per cent of production would be at risk. The report also stated that 35,000 jobs could be directly at risk, and that global emissions would increase between 7 and 38Mt if full auctioning took place. The study attacked the 21% reduction target for 2020, set by the ETS cap, compared to 2005 levels, arguing that even without auctioning it would still affect one third of the European cement industry[30]. Eurofer claimed that auctioning would cost European steel makers between 50bn and 100 bn euros between 2012 and 2020.

Evidence against carbon leakage

Although no economic evidence backed the claims made by the cement or steel industry on either job losses or relocation, the economic and financial crisis prompted several governments to give in to industries' wishes. Some national governments forced a political decision to accept the threat of carbon leakage and adopted very low criteria for assessing the risk, resulting in the free allocation of emissions permits to most of the manufacturing sector.

Evidence in fact was available downplaying the risk of carbon leakage from bodies such as the International Energy Agency (IEA) and the OECD. The IEA report[31] was published in October 2008, before the the Climate and Energy package was adopted, a crucial time in the decision making around carbon leakage. It stated that fears of increased global emissions as a result of carbon leakage induced by an emission cap in a country or a region were exaggerated. A study published by the OECD in August 2009[32], also found that fears of “carbon leakage” should not be exaggerated. The report argued that industry must play its part in the reduction of emissions and that “exempting energy-intensive industries from carbon pricing, for example, could raise the cost – by 50% in 2050 – of stabilising concentrations at 550 ppm CO2 eq.”The OECD´s Secretary-General Angel Gurría made clear in a recent speech[33] that this was still the OECD's opinion. He said that “one of the main obstacles to make progress in addressing these and other crucial climate challenges relates to concerns around the possible impact of policy commitments on competitiveness” and that the ETS's ambitions “have been somewhat undermined by competitiveness concerns”. Claiming that fears of a loss of competitiveness and carbon leakage are overstated, he pointed out that: “cutting GHG emissions will inevitably involve a restructuring of the economy.”

In April 2010, the NGO Climate Action Network Europe compiled new economic research that showed that the criteria used to assess which sectors were at risk of carbon leakage and their application were deeply flawed. CAN-Europe concluded that "the scientific case for carbon leakage because of the EU ETS, at this time, is weak if not non-existent"[34]. This new evidence[35] points to the fact that one of the criteria used on trade intensity was highly questionable. More new research shows that contrary to industry claims, both the steel and cement sector are able to pass on increased costs. Combined with free allowances, this will lead to yet more windfall profits. The research[36] indicates that the EU cement sector can pass on between 30 and 99% of the opportunity costs[37] depending on the location, leading to additional profits of 10 to 20bn euros over the period 2013-2020. In the steel sector, a new report by CE Delft[38] has shown that in phase I of the ETS (2005-2007) the costs of the ETS were passed on "We find positive signs that steel industries were able to pass through the costs of EUAs [allowances] into the product prices, up to 100%." It concludes that "free allocation falls short of its intentional goals: to prevent carbon leakage. Under free allocation both windfall profits and carbon leakage may be stimulated".

A further new study by Climate Strategies has shown that carbon prices have a small impact on companies[39]. And according to a new study by the Carbon Trust[40] the implementation of the third phase of the ETS with no free allocation and no other form of protection would lead to less than two per cent of emissions moving outside the EU.

What's at stake now?

Although the directive designing phase III of the ETS was agreed in December 2008 (part of the Climate and Energy package) many aspects of its implementation will be decided in the next few months. By June 2010 the Commission has to submit its assessment of the carbon leakage proposal in the light of the outcome of COP15. By the end of the year the benchmarks that will determine to what extent which factories are entitled to free allocations in phase III will also be decided. The Commission must also propose modifications to the environmental state aid guidelines by the end of the year, which will determine the conditions under which member states can help specific industry sectors for environmental reasons. And by 2011 the number of free allowances that will go to sectors at risk of carbon leakage will be decided.

As has been shown by the enormous surplus made by the steel and cement sector, there is a lot at stake - enough to unleash an aggressive lobby campaign by the corporations and lobby groups affected.

Eurofer and Cembureau started lobbying months ago to secure a benchmark that will ensure their respective sectors receive a generous allocation of free permits. They have also, together with other energy intensive industries and under the umbrella of powerful lobby groups such as the employers' confederation BusinessEurope, campaigned to prevent the EU from increasing the greenhouse gas emissions reduction target for 2020 from 20-30%.

Despite industry lobbying, the newly appointed Commissioner for Climate Change, Connie Hedegaard has suggested increasing the EU reduction target to 30 per cent, including

tightening the cap imposed through the ETS. She told the European Parliament in early May that such a move would be affordable and technically feasible. Definite figures will be published in the coming days, but a leaked draft of the report shows that the additional cost would be equivalent to 0.2 per cent of the GDP, some 33 billion euros. The additional investment would be rapidly recouped in air quality, green jobs and energy security.

Eurofer, Cembureau and other energy intensive industries united under the European Alliance of Energy Intensive Industries (AEII[41]) have already indicated their strong opposition, using the carbon leakage argument among others. In their reaction to the proposal, AEII rejected the move to 30% and called on the EU instead to focus on international negotiations and the long term policy of meeting 2050 targets. However, as Copenhagen showed, international negotiations are not making any progress and unless there is a move to beyond 30% in the short term, it will be impossible to reach more ambitious targets in 2050. Focusing on 2050 targets is a delaying strategy from industry to avoid real action now.

AEII's response claims it is “unacceptable to suggest manipulating carbon markets by withholding allowances from the market in order to reach environmental objectives”

Business Europe has also reacted and called the proposal ”counterproductive”[42]. The employers group will exert pressure on national governments via their powerful members, and made clear that although several governments are also in favour of moving to 30%, big business is united against it, saying: “This view is unanimously shared by all 40 national member federations”.

But if the EU is at all serious about tackling climate change, it must move swiftly to a target beyond 30%. And if it is serious in its intentions to reduce CO2 emissions it will use the opportunity to revert the decisions taken around carbon leakage. The windfall assets made by companies such as Lafarge and Arcelor Mittal, which are effectively subsidised by the ETS, should alone be reason enough to reject the decision to grant them yet more free allocations. The Commission should look at the facts, and not at the deceptive lobbying from these companies and their lobby groups, with their scaremongering about job losses and loss of competitiveness. These companies have in fact pocketed hundreds of millions of euros. National governments should this time avoid acting as lobbyists for their national industries, as they did when they negotiated the Climate and Energy Package, and ensure that industry is required to take real action.

[1] Letter sent by Lakshmi Mittal to Stavros Dimas dated 22 December 2006, obtained by Corporate Europe Observatory through the regulation on access to information.

[2] Global steel industry CO_2 emissions are estimated to be 1500 to 1600 $MtCO_2$ (410 to 440 MtC) (Kim and Worrell, 2002a). IPCC Fourth Assessment Report: Climate Change 2007, Working Group III: Mitigation of Climate Change http://www.ipcc.ch/publications_and_data/ar4/wg3/en/ch7s7-4-1.html

[3] “About two thirds of this being direct and the reminder due to its equally prodigious electricity consumption.” Tackling carbon leakage - Sector-specific solutions for a world of unequal prices (CTC767), Carbon Trust, 3 march 2010. http://www.carbontrust.co.uk/Publications /pages/publicationdetail.aspx?id=CTC767

[4] As shown in the database of Carbon Market Data. http://www.carbonmarketdata.com/worlddb_v0.1/citl/country.php? Figures represent tonne of carbon dioxide

equivalent.

[5] Arcelor Mittal emitted an estimated 64.7 million tonnes of CO2 in the EU but received 85.3 million EUAs free of charge. This result in 20.5 million allowances or 32%, this figure is raw and might by reduced by 5% due to an average 5% EUAs given away with off-gases burnt by external companies (not part of Arcelor Mittal)

[6] "Steel giant profits from EU's Emissions Trading Scheme", Corporate Europe Observatory, May 2009 http://www.climategreenwash.org/arcelormittal

[7] The Carbon Rich List: The companies profiting from the EU Emissions Trading Scheme, Sandbag, February 2010, http://www.sandbag.org.uk/files/sandbag.org.uk/carbon_fat_cats_march2010.pdf

[8] Exact figures are 99,801,132, with an assest value of 1,397,215,847 euros.

[9] Steel giant profits from EU's Emissions Trading Scheme, Corporate Europe Observatory, May 2009 http://www.climategreenwash.org/sites/default/files/pdfs/arcelormittal-backgrounder.pdf
This figure might be reduced by 5% due to an average 5% EUAs given away with off-gases burnt by external companies.

[10] Carbon Permits Said to Be in Excess in Europe**,** James Kanter, the New York Times, 1 April 2010http://query.nytimes.com/gst/fullpage.html?res=9A0CE2DB1F30F932A35757C0A9669D8B63&sec=&spon=&pagewanted=2

[11] See Carbon Market Data http://www.carbonmarketdata.com/worlddb_v0.1/citl/country.php?

[12] See fi The Carbon Rich List: The companies profiting from the EU Emissions Trading Scheme, Sandbag, February 2010, http://www.sandbag.org.uk/files/sandbag.org.uk/carbon_fat_cats_march2010.pdf

[13] According to the Sandbag report Lafarge will make 23,507,560 surplus EUAs with an asset value of 329,105,840 euros. The Carbon Rich List: The companies profiting from the EU Emissions Trading Scheme, Sandbag, February 2010, http://www.sandbag.org.uk/files/sandbag.org.uk/carbon_fat_cats_march2010.pdf

[14] Page 41 and F29 of the Annual Report 2009, http://www.lafarge.com/06112009-press_publication-2009_annual_report-uk.pdf

[15] Lafarge, 2009 Annual Report, p.F29, http://www.lafarge.com/06112009-press_publication-2009_annual_report-uk.pdf

[16] The production of clinker, the principal component of cement, emits CO_2 from the calcination of limestone. Based on average emission intensities, total emissions in 2003 are estimated at 1587 $MtCO_2$ (432 MtC) to 1697 $MtCO_2$ (462 MtC), or about 5% of global CO_2 emissions. IPCC Fourth Assessment Report: Climate Change 2007, Working Group III: Mitigation of Climate Change http://www.ipcc.ch/publications_and_data/ar4/wg3/en/ch7s7-4-1.html

[17] Tackling carbon leakage - Sector-specific solutions for a world of unequal prices (CTC767), Carbon Trust, 3 March 2010. http://www.carbontrust.co.uk/Publications /pages/publicationdetail.aspx?id=CTC767

[18] As shown in the database of Carbon Market Data.
http://www.carbonmarketdata.com/worlddb_v0.1/citl/country.php Figures represent tonne of carbon dioxide equivalent.

[19] For more information and carbon leakage see: The EU: a hollow champion for the climate. How the financial crisis (and intense lobbying) let polluting industry off the hook, Corporate Europe Observatory, December 2009, http://www.corporateeurope.org/system/files/files/article/EU_Hollow_Champion_Dec_09.pdf

[20] Commission Decision of 24 December 2009 determining, pursuant to Directive 2003/87/EC of the European Parliament and of the Council a list of sectors and subsectors which are deemed to be exposed to a significant risk of carbon leakage. http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:001:0010:0018:EN:PDF

[21] Letter from Jean Marie Chandelle to Commission President Barroso dated 3 October 2008, obtained by CEO through the regulation on access to information.

[22] Letter by Erdogan Pekenç to Günter Verheugen on "Lafarge Cement UK position on Phase III, European Union Emissions Trading Scheme (EU-ETS)", dated 18 February 2008. Obtained by CEO through the regulation on access to information.

[23] Tackling carbon leakage - Sector-specific solutions for a world of unequal prices (CTC767), Carbon Trust, 3 march 2010.http://www.carbontrust.co.uk/Publications/pages/publicationdetail.aspx?id=CTC767

[24] Interview withTerhi Lehtonen, advisor to the Greens in the European Parliament, October 2009

[25] http://www.eurofer.eu/eurofer/Publications/pdf/2009-manifesto.pdf and http://www.eurofer.eu/eurofer/Publications/pdf/2010-manifesto.pdf

[26] Letter by H.J. Blöcker and Dr. D. Ringel from Arcelor Mittal Bremen to Günter Verheugen dated 11 January 2008. In German (our translation). Obtained by CEO through the regulation on access to information.

[27] EU steel production at stake, Eurofer, 23 April 2010 http://www.eurofer.org/index.php/eng/News-Publications/Press-Releases/EU-steel-production-at-stake

[28] "Steel giant profits from EU's Emissions Trading Scheme", Corporate Europe Observatory, May 2009 http://www.climategreenwash.org/arcelormittal

[29] For more information see Chemical warfare – the lobbying battle on REACH, Jorgo Riss, Greenpeace*,* in "Bursting the Brussels Bubble", Alter-EU, May 2010, http://www.alter-eu.org/book/bursting-the-brussels-bubble

[30] Carbon leakage: European cement industry at risk http://www.cembureau.be/newsroom/carbon-leakage-european-cement-industry-risk

[31] Issues behind Competitiveness and Carbon Leakage- Focus on Heavy Industry, IEA, October 2008

http://www.iea.org/publications/free_new_Desc.asp?PUBS_ID=2057
[32] Cost-Effective Actions to Tackle Climate Change, OECD, August 2009
http://www.oecd.org/dataoecd/1/40/43656443.pdf
[33] Climate Change and Competitiveness, Remarks by Angel Gurría, OECD Secretary-General, delivered at the Johns Hopkins School of Advanced International Studies, Global Energy and Environment Initiative 22 April 2010, Washington D.C http://www.oecd.org/document/40/0,3343,en_2649_34361_45055400_1_1_1_37425,00.html
[34] "Case for EU industry fleeing climate regime up in smoke" CAN-Europe' s submission to the public consultation in preparation of an analytical report on the impact of the international climate negotiations on the situation of energy intensive sectors, April 2010, http://www.climnet.org/
[35] "Still time to reclaim the European Emissions Trading System for the European tax payer", 2010, Ralf Martin, Mirabelle Muûls and Ulrich J. Wagner, Centre for Economic Performance at the London School of Economics, the Grantham Institute at Imperial College London and the Department of Economics at the Carlos III University in Madrid. Quoted in "Case for EU Industry fleeing climate regime up in smoke", CAN Europe´s submission to public consultation on carbon leakage, 12 April 2010, http://www.climnet.org
[36] Climate change and the cement sector' by G.Cook, Climate Strategies, 2009, quoted in Climate Action Network Europe Submission to public consultation on carbon leakage, 12 April 2010, http://www.climnet.org
[37] Opportunity costs are defined as , "A firm's implicit costs consist of the opportunity costs of using the firm's own resources without receiving any explicit compensation for those resources. For example, a firm that uses its own building for production purposes forgoes the income that it might receive from renting the building out. Although this building may not be recorded as an expense, it is still a cost to the firm, preventing the firm alternative usages of this building. This is called an opportunity cost. In a similar way, the freely obtained allowances in the EU ETS represent an opportunity cost to the firm" (CE Delft, April 2010)
http://www.ce.nl/publicatie/does_the_energy_intensive_industry_obtain_windfall_profits_through_the_eu_ets/1038
[38] "Does the energy intensive industry obtain windfall profits through the EU ETS?", CE Delft, April 2010,
http://www.ce.nl/publicatie/does_the_energy_intensive_industry_obtain_windfall_profits_through_the_eu_ets/1038
[39] International Industry Competitiveness, Carbon Leakage, and Approaches to Carbon Pricing;
http://www.climatestrategies.org/ourreports/category/52.html
[40] Tackling carbon leakage - Sector-specific solutions for a world of unequal prices (CTC767), Carbon Trust, 3 March 2010. http://www.carbontrust.co.uk/Publications/pages/publicationdetail.aspx?id=CTC767, quoted in "Case for EU industry fleeing climate regime up in smoke" CAN-Europe' s submission to the public consultation in preparation of an analytical report on the impact of the international climate negotiations on the situation of energy intensive sectors, April 2010, http://www.climnet.org/
[41] AEII is comprised of CEFIC (chemicals), Cembureau (cement), CEPI (paper), Cerame-Unie (ceramics), CPIV (glass), Euro Alliages (iron), Eurofer (Iron and steel); Eula (lime), Eurometaux (metals), EXCA (clay), Ifiec Europe (industrial energy consumers) and Europia (refineries).
"European Alliance of Energy Intensive Industries opposes EU unilateral move to -30%. Untimely move to further unilateral EU contraints and costs will threaten EU economy". AEII, Brussels, 6 May 2010.
http://www.cepi.org/Content/Default.asp?PageID=558&DocID=27539
[42] "Round table with EU Climate Commissioner Connie Hedegaard and business leaders", 17 May 2010, address by Jürgen R. Thumann, President of Business Europe,
http://www.businesseurope.eu/content/default.asp?PageID=568&DocID=26424.