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### Draft EP Rapporteur's report on ETS penalises the EU bio-economy

On 31 May, Member of the European Parliament Ian Duncan, Rapporteur for the revision of the EU ETS Directive, published his proposal<sup>1</sup> for phase IV of the EU Emission Trading Scheme (ETS).

In his press statement, MEP Duncan claims that he is “*distributing free allowances to industry at risk of leaving the EU due to the cost of environmental regulation, while ensuring that even the most efficient installations don't suffer an allowances' 'haircut'.*”

However, under this proposal the majority of the sectors covered by the EU ETS including the Primary Food Processors (PFP) would face a cut of at least 50% of their free allowances which are meant to protect their industries from carbon leakage. Rapporteur Duncan's report, amendment 40, actually protects only approximately 10% of the EU ETS sectors against carbon leakage.

Gianfranco Patrucco, PFP president, today said that “*PFP sectors are greatly concerned by the current arbitrary proposal to tier the ETS Carbon Leakage List. With this implemented, all PFP installations in Europe, even the most efficient ones, would see their protection against carbon leakage halved, no matter the efforts made until 2021 to improve energy efficiency and decrease carbon intensity.*”

The tiered carbon leakage approach would have an even more undesirable consequence. Carbon intensive sectors producing fossil-based materials would receive adequate protection, whilst innovative PFP sectors that are supporting the biobased economy would see their protection severely reduced; their biobased products would unduly be made less competitive. This is contradictory as biobased sectors such as PFP sectors, are **contributing to the bioeconomy and thus reducing the EU's fossil fuel dependence**. Patrucco says that “*Tiering carbon leakage protection creates an artificial distortion of competition between fossil-based materials and innovative biobased products. It would therefore de facto hamper the development of the EU bioeconomy<sup>2</sup>, frustrating European ambitions in this domain. The potential of biobased products to decrease the overall EU carbon footprint will remain underdeveloped.*” Carbon leakage tiering would be a form of subsidy to fossil-based industries, while on 26 and 27 May during their summit in Ise-Shima, the Group of Seven (including the EU) committed to ban such type of subsidy within the next decade.

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<sup>1</sup> [MEP Ian Duncan's proposal to Parliament and press statement for Phase IV of the EU ETS](#)

<sup>2</sup> [Position paper of the European Bioeconomy Alliance - The EUBA warns against a tiered approach to the carbon leakage list](#)

## The Vital Link in the Food Chain

The aim of the EU ETS is to decrease EU emissions and to mitigate the impact of EU activities on climate change. To achieve this goal, the legislators will have to ensure that choices made will not have unexpected impact such as the one described above. Protection from carbon leakage under EU ETS is to stay as proposed by the Commission until an international agreement is reached on carbon pricing. Such an international agreement would provide a level playing field for all sectors and would allow the carbon market to provide an incentive to switch to a low carbon economy.

For these reasons, PFP sectors call on European legislators to carefully consider the approach to follow for the Carbon Leakage List when preparing phase IV of the EU ETS. In particular, simplistic tiering of the Carbon Leakage List should be avoided, hence the original proposal from the European Commission must be followed.

Please find [here](#) the PFP position on the revision of the EU ETS Directive.

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The **Primary Food Processors of the EU (PFP)** consists of six trade associations:

- European Starch Industry Association** (Starch Europe)
- European Committee of Sugar Manufacturers** (CEFS)
- European Cocoa Association** (ECA)
- European Flour Milling Association** (European Flour Millers)
- European Vegetable Protein Federation** (EUVEPRO)
- European Vegetable Oil and Proteinmeal Industry** (FEDIOL)

PFP represents the European primary food processing industries. It provides the link between agricultural raw materials and final products (secondary processors in the food, feed and non-food sectors). PFP members process approximately **220 million tons of raw materials** (cereals, sugar beet, rapeseeds, soybeans, sunflower seeds, cocoa beans, crude vegetable oil, starch potatoes...) **employing over 120 000 people** in the European Union. **Their economic contribution was recently assessed by the LEI Wageningen UR Report: “Primary Food Processing, cornerstone of plant-based food production and the bio-economy in Europe”**

