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CEO STATEMENT ON CARBON MARKETS, LEAD MARKETS AND POWER PRICES

A grand bargain is needed to provide investment certainty for Europe's low-carbon industry

To the attention of: Competitiveness, Energy and Environment Ministers, and the CBAM trilogue negotiators
CC: Council President Costa, Commission President von der Leyen, and the responsible Executive Vice-Presidents and Commissioners

We lead 22 companies producing iron, steel, cement, chemicals, hydrogen, fertilizers, mining and metals in Europe. Between us we produce or plan to produce more than 220 million tons per year with operations in 24 member states, and have low-carbon investments decided or awaiting a final investment decision worth more than EUR 38 billion. We operate and invest on three assumptions: that the EU ETS carbon price and Carbon Border Adjustment Mechanism (CBAM) remain robust, that there is a market for our low-carbon production, and that we can buy electricity at a price similar to our international competitors. All need to hold at the same time to keep the business case for current and future low-carbon production. We ask for three things.

First, improve the carbon price signal and the level playing field at the border. The business case for existing and new low-carbon production will continue to be undermined unless the difference in emissions with traditional solutions is priced meaningfully. Closing that difference starts with a robust, effective CBAM and a meaningful ETS price. Changes to the overall ambition of the ETS should preserve its fundamental principles, its effectiveness to incentivize industrial decarbonization, and not reverse the long-term signal we invested on. The CBAM should cover all products currently in scope along their full value chain, complemented with a permanent export solution. It should mitigate circumvention risks such as resource shuffling and inward processing, and it should not contain a clause that lets it be switched off. An instrument that can be suspended, or whose phase-in can be slowed, is not one a board can invest against.

Furthermore, new EU funds as well as national support financed from ETS revenues should be designed for speed. Financial guarantees should be ones that all players can meet, if necessary with public risk-sharing. They should reach first movers with projects already built or under construction on the same terms as projects that come later, including during the ramp-up phase. Installations that already produce low-carbon products have done what policies

ask of them; they should receive their allocation without additional investment conditions that do not recognize decarbonization efforts already undertaken.

Second, while the ETS and CBAM are crucial building blocks, they are not enough on their own. Companies need certainty that demand for their clean products will exist. This is why demand creation policy and lead markets under the Industrial Accelerator Act are essential. Solid Made in Europe criteria and low-carbon targets are needed on a limited share of public procurement to create demand for European low-carbon products, turn large-scale decarbonization investments into commercially viable business models and keep manufacturing, jobs and innovation in Europe.

Third, we need competitive, low-carbon electricity and access to key infrastructure, such as grids, hydrogen and CO2 networks and storage. Europe has structurally higher energy costs than the rest of the world, which makes European production more expensive. Industry requires predictable electricity at competitive prices, with the benefits of low-cost generation passed on to energy-intensive industries through long-term power purchase agreements (PPA) as proposed in the Draghi report, backed by public guarantees where needed. It also requires grid connections on time with lower network and system charges. Moreover, certain energy-intensive industries also rely on enabling regulation to facilitate the uptake of hydrogen and carbon capture and storage (CCS).

Our existing low-carbon production and investments need a grand bargain on all three. The carbon price and the border charge level the playing field; a lead market gives us reliable demand; competitive power lets us make the product. Weaken one, and the others do not compensate.

We ask the CBAM trilogue negotiators as well as the Competitiveness, Energy and Environment Councils to adopt clear, integrated and coherent positions across these issues. Only this will preserve the business case of our current and future low-carbon production on which our decisions were taken. Meeting these conditions together can secure and bring forward quality jobs and the tens of billions in additional low-carbon investments that Europe has in the project pipelines.

Yours sincerely,

Signatories

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