**FOR IMMEDIATE RELEASE**

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**JOINT STATEMENT BY TURKISH STEEL EXPORTERS' ASSOCIATION AND TURKISH STEEL PRODUCERS’ ASSOCIATION ON THE EU ETS REFORM AND ITS IMPLICATIONS ON THE STEEL INDUSTRY**

The EU Steel Industry started to implement the Emissions Trading System (ETS) in 2005. After the launch of the ETS, EUROFER has been in a search of a policy to reduce energy costs as such costs have increased significantly. Since there was no Monitoring, Reporting and Verification (MRV) system for Greenhouse Gas emissions (GHG) between 2005 and 2012, steel plants reported excessive amounts of emissions to get more allocations created a surplus of allocations on the market. Such a surplus of allocations reduced carbon prices and, as a result, the ETS could not serve its purpose.

As the EU Emissions Trading System led to a surge in energy costs and caused unfair competition, EUROFER made a call to the European Council to maintain the current measures for protecting the industries under a risk of carbon leakage, to update the benchmarking criteria, to set the maximum limit for free allocation as well as the inter-sectoral emissions correction factor and compensate for the indirect costs for the period after 2020.

After ratifying the Paris Agreement the EU submitted its "Intended Nationally Determined Contribution" to reduce GHG emissions at least 40% by 2030 compared to the 1990 levels. The low-carbon economy roadmap also suggests that, by 2050, the EU should cut its emissions to 80% below 1990 levels through domestic reductions alone. Taking into account that, on February 15, 2017, the European Parliament issued certain resolutions aiming at lowering emissions allocations granted to firms and increasing carbon prices, EU ETS reform targets need to be reviewed as such targets disregard the unfair competition that energy-intensive industries would be subjected to.

On the other hand, in Turkey, the MRV system which sets the foundations of the ETS and did not exist in the first EU ETS period, came into force in line with the "Regulation on the Monitoring of Greenhouse Gas Emissions" of 2014. Currently, carbon is only traded on voluntary markets and there is no compulsory carbon pricing mechanism.

Nevertheless, since 2007, a deduction called the environmental contribution share which is unprecedented in another country has been applied to the Turkish Steel industry for the imports of scraps and solid fuels under the Environment Law.

"The Project on the Conformity Assessment of the Emission Trading System (ETS) in Turkey", which has been launched under the "Partnership for Market Readiness (PMR) Program” executed by the Ministry of Environment and Urbanization and funded by the World Bank has been assessing whether Turkey is ready for such a system or not.

In relation to the potential carbon tax on steel imports supported by EU steel producers:

* The additional costs domestic producers will face due to the ETS system vary according to their technologies and trying to eliminate an unequal cost for each company through a fixed rate to be imposed on imports would not only cause an unfair competition but also further deepen the differences among companies,
* The imposition of a measure not applied to domestic producers would be contrary to the World Trade Organization rules,
* The calculation for the carbon tax to be imposed on imported steel products from a wide range of sources would lead to confusion and disorder due to practical challenges such as the identification of an equivalent product and calculation of the carbon contents,
* Due to technological advancements, it would not be fair, to impose the same tax on an efficient plant and an inefficient plant,
* In addition, the carbon tax would not serve the purpose of reducing emissions but could only be explained on commercial grounds,

Considering the above-mentioned issues, it would not be rational to apply the additional costs to be introduced by the ETS to imported products as well; also such a practice would lead to an increase in similar trade remedies and render regulations on mitigating carbon emissions inapplicable.

*CELSA UK’s Tweet*

A tweet by CELSA UK, a steel producer from the United Kingdom, posted on February 20, 2017 in relation to Turkish rebar exports into the United Kingdom did not accord with the credibility of the company. The tweet in question reflected an exaggerated amount of emissions just to form a basis for carbon tax. Considering the fact that rebar production in Turkey takes place in Electric Arc Furnaces under the most environment friendly conditions in the world with a maximum of 300 kg of emissions per tonne steel, it is impossible to calculate an extra 24,000 tonnes of CO2 even including the emissions from the shipment and transport of rebar, let alone the rebar production itself. Furthermore, it is possible to raise a similar argument with regard to the imports of Turkey from the EU countries, which is about two folds of its exports.

It is considered to be more appropriate for producers complaining about the additional costs to be introduced by the EU ETS reform to reexpress their problems to the European Parliament that the EU ETS reform targets are too burdensome and they will have a hard time coping with the additional costs rather than issuing such unfortunate statements with shallow contents and feeling uncomfortable with Turkish exports based on unrealistic data.

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