



Carbon Market Watch's response to the public consultation on the revision of the Industrial Emissions Directive

Carbon Market Watch fully supports the comprehensive feedback provided by the European Environmental Bureau to the revision and welcomes the opportunity to give specific views on how the Industrial Emissions Directive (IED) should be revised to support industrial decarbonisation in a complementary manner to the EU Emission Trading System.

While we support the general direction of the revision, we would like to highlight the need to make the Industrial Emissions Directive fit for the zero-pollution and climate neutrality objectives as outlined in the Green Deal. This entails including greenhouse gas emissions within the scope of this directive by deleting art. 9(1), and amending art. 9(2).

Please find a summary of our recommendations below and the link to our full briefing here:

<https://carbonmarketwatch.org/wp-content/uploads/2020/06/A-New-Industry-Framework-For-Achieving-the-EU-Green-Deal-Zero-Pollution-Goal-1.pdf>

Industrial Emissions Directive (IED) and Emission Trading System (ETS)

Under the EU Green Deal, the European Union is committed to reaching climate neutrality by 2050. A clean industrial transformation is urgently needed to achieve this goal. This paper proposes changes to the current industrial policy framework to ensure that the existing legislation covering industrial pollution drives a rapid transition towards zero pollution.

The Industrial Emissions Directive (IED) regulates pollution from around 50,000 large industrial installations in Europe. It requires industries to meet performance-based pollution limits, which are periodically reviewed to take into account innovation and progress. The IED aims to prevent pollution from industrial activities. All relevant environmental impacts should be taken into consideration: emissions to various environmental media (land, water, and air), the use of resources such as water, energy, material or chemicals, waste prevention, and general production efficiency, accident prevention, etc. This integrated approach is meant to achieve a high level of environmental protection as a whole.

However, while protecting the environment, the IED does not address greenhouse gas pollution and climate impacts directly. Instead, the regulation of greenhouse gas emissions is left to the EU carbon market (or Emissions Trading System – ETS).

Because greenhouse gas emissions were excluded from the scope of the IED with the introduction of the market-based approach of the EU ETS directive, EU governments have not set limits on these emissions when issuing environmental permits under the IED. For the same reason, it is also optional for governments to set binding energy efficiency standards based on performance on those installations that are covered by the EU ETS.

These limitations are counter-productive and incompatible with the integrated approach of the IED to prevent (all) pollution at source. They also provide little incentive to industries to invest in more environmentally friendly processes and reduce their greenhouse gas emissions. In light of the urgent need to tackle the climate crisis, this oversight and shortcoming need to be corrected. The revision of the industrial emissions directive is an opportunity to include greenhouse gas emissions within the scope of the legislation, and strengthen its key elements to ensure that it fulfills its full potential and yields the best environmental outcomes. The inclusion of greenhouse gas emissions within the scope of the IED does not entail duplication of regulation vis-a-vis the EU carbon market rules because both frameworks are complementary and follow different approaches. In addition, unlike the IED, the carbon market does not use the “best available technology” concept, so the IED’s best available techniques reference documents (BREFs) would be reinforcing and complementary regulation, not overlapping.

In order to drive the clean industrial transformation, different policy instruments are needed. The industrial emissions directive can and should be used to reinforce the market-based approach under the EU emissions trading scheme. For this to happen, the European Commission needs to propose deleting art. 9.1, which excludes greenhouse gas emissions from the industrial emissions directive, and to make energy efficiency standards mandatory in environmental permits. This can be done in the context of the ongoing revision of the industrial emissions directive. It is an opportunity not to be missed to ensure a new industrial policy framework that will help Europe reach its goals under the EU Green Deal.

Policy recommendations

If the Industrial Emissions Directive (IED) is to be made fit for the future, it will need to work hand in hand with other policy instruments and will need to reinforce the market-based approach under the EU-ETS.

Including greenhouse gas emissions within the scope of the IED does not entail duplication of regulation vis-a-vis the ETS Directive, as stated in IED recitals 9, because both frameworks are complementary and follow different approaches, and the EU ETS has not led to any meaningful industrial greenhouse gas reductions for almost a decade. In addition, the EU ETS sets a price level on carbon allowances that is not based on the Best Available Technology (BAT) concept so the IED Best available techniques Reference documents (BREFs) would be reinforcing and complementary regulation, not overlapping.

Therefore, in the next revision of the Industrial Emissions Directive, we call for:

- Deletion of IED Art. 9.1 in order to enable a combined approach of command and control (IED) as well as market-based instruments (EU ETS);
- Amend Article 9.2 of the IED to introduce minimal binding (and not optional) energy efficiency standards based on best in class solutions within a given industrial activity (e.g. electricity, heat generation, steel, cement);
- Introduction of GHG performance standards to achieve a complete coal and lignite phase-out in the European power and industrial sectors by 2030, and industrial decarbonisation in line with achieving climate neutrality by 2040;
- Introduce a Paris Agreement compliance test for new industrial investments and major refurbishments in environmental permitting. This measure would avoid a lock-in of investments into high emitting infrastructure.

Full briefing:

<https://carbonmarketwatch.org/wp-content/uploads/2020/06/A-New-Industry-Framework-For-Achieving-the-EU-Green-Deal-Zero-Pollution-Goal-1.pdf>

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