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EU emission limits could drive industries out of Europe

David Gow in Brussels
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The European commission will set out new laws next week to impose swingeing limits on greenhouse gas emissions from EU heavy industries in a move that could prompt some of these to relocate lock, stock and barrel overseas.

Draft legislative proposals, due to be published on January 23 and seen by the Guardian, would cut the emissions of some 11,000 plants by 21% on 2005 levels as part of the effort to reduce EU greenhouse gas output by at least 20% by 2020.

They would also force energy companies and refiners to bid at auction for 100% of their pollution permits from 2013 in an effort to avoid the windfall profits of up to £8bn cashed in when the EU's emissions trading scheme (ETS) began in 2005.

The documents, which are still subject to ferocious debates among EC staff and with the 27 national governments, indicate that at least two-thirds of the permits, including for new sectors not in the ETS, would be auctioned from 2013 in an effort to drive up the price of carbon.

At their March summit, EU leaders agreed binding targets to reduce emissions by 20% - 30% if the rest of the industrialised world agreed - and to increase the use of renewable energy to 20% by 2020. The aim is to establish EU leadership in the campaign against climate change and create the first low-carbon economy.

But, officials say, the issue of "burden sharing" - or how to distribute the proposed cuts among the 27 states - is so contentious that none of the documents contains precise figures on the target limits for each country.

Cuts would be no more than 20% from 2005 levels for the richer countries such as Germany and the UK, while poorer nations would not be allowed to increase their emissions by more than 25%.

The chefs de cabinet of the 27 commissioners will thrash out these details again on Wednesday, with the row expected to continue until the last minute.

The plans to tighten the ETS for plants accounting for 43% of EU emissions and impose auctions would, officials admit, raise some prices by up to half and could force some companies overseas. Sources said sectors facing the fiercest competition from low-cost countries - such as steel - could be given more free pollution permits in a move to prevent their relocation. But, they said, a plan to impose emissions tariffs on imports from countries not bound by the Kyoto protocol or its putative successor has been scrapped as politically and technically unfeasible. Any job losses would be offset by the employment-creation impact of the switch to low-carbon technologies.

The documents say that in order to reach the 20% target for renewables by 2020 the EU would have to generate an additional 11.5%. But this too is controversial, with Britain, whose share so far is 3%, resisting what it sees as over-ambitious targets and Germany, which has its own target of 40% by 2020, worried that it could be forced to raise its game even further.

One idea expected to be adopted would allow countries unable to reach their renewables target to "buy" the missing part and for those outperforming their targets to "sell" the excess.