

EMISSION TRADING SCHEME

Tyre Industry

Brussels, 21 April 2010

Subject: ETS in the tyre industry

- **fallback approach (Heat Benchmark)**
- **cross-boundary heat flows**

ETRMA supports the aim of the revised Emissions Trading Scheme Directive, which has the objective to reduce greenhouse gases (GHG) emissions within the EU and to facilitate the achievement of international targets. ETRMA appreciates the transparent and objective criteria used for identifying sectors exposed to carbon leakage. At the same time, ETRMA encourages the European Commission to continue the efforts to reduce the risks and potentially serious impacts that currently exist in the above mentioned sectors.

According to a study performed by ETRMA in 2008¹, direct and indirect ETS costs will absorb on average 23% of the tyre manufacturers' profits. Therefore a particular attention must be paid to development of methodologies for calculating and allocating free allowances.

The uniqueness and particularities of the tyre sector require to be properly addressed in order to avoid, in addition to the risk of carbon leakage, **distortion of competition** between European installations.

OVERVIEW OF THE TYRE INDUSTRY: THE STEAM PARTICULARITY

The energy demand of the tyre industry and related CO₂ emissions are associated to electricity and heat. Heat, which is mainly used in form of **steam, is consumed primarily in vulcanisation processes**. Steam is **produced** in combustion units (major source of direct CO₂ emissions) located within the manufacturing plant and/or **purchased** from third parties: this is the major factor that determines inclusion in the scope of the ETS directive

FALLBACK APPROACH REQUIRED FOR THE TYRE SECTOR: HEAT BENCHMARK

Based on an assessment performed internally by ETRMA, it was concluded that the product benchmark is not applicable for the tyre sector due primarily to wide variability of product types and mixes in tyre facilities and a general lack of homogeneity. Thus the **fallback approach** is necessary. For the tyre sector there is a direct link between CO₂ emissions and steam consumption/production. Based on Ecofys recommendations provided to ETRMA, the **heat benchmark seems to be the most appropriate fallback option** applicable to tyre manufacturing plants. **Special attention should be paid to ensure that the allocation of free allowances is fair in case of cross-boundary heat flows.**

ETRMA strongly supports the use of **method 1** outlined in the Ecofys report "[Benchmark study - Project Approach and general issues](#)" for the allocation of free allowances in case of cross-boundary heat flows. This method ensures that the total amount of free allowances is independent from the heat supply and assumes that heat purchased by exposed sectors receives 100% free allowances.

For further information at ETRMA:

- Mrs Fazilet Cinaralp, Secretary General (f.cinaralp@etrma.org)
- Mr Lorenzo Zullo, Coordinator (technical@etrma.org)

¹ ETRMA 2008. *Tyre Manufacturing: Energy Intensive Industry Evaluation*. Ver 2.1. 30 July 2008