

Why does benchmarking contribute to climate protection?

- Because benchmarking provides an **objective performance target**. The boundaries and scope of the benchmark are agreed and applied uniformly. Independent auditors establish the comparison between homogenous performers. They use sector-specific parameters to audit the efficiency of the various processes with regards to CO₂. These parameters have to be multiplied with process-specific activity data, which finally gives the amount of allowances to be given to the audited plant. With benchmarking, companies can refine their improvement plans and regulators verify results. The usage of such data is also a way of checking where GHG emissions come from. In chemical industries for example, a large share of emissions is attributable to only a few products and processes.
- Because benchmarking promotes **new technologies**. Better performers than the average get more free allowances as a reward for their responsible investment. Like winning sportsmen get medals, technology leaders get a competitive advantage. A competitive EU chemical industry is needed to drive the innovations in renewable energies that, for example, enable giant wind mills or new solar cells.
- Because benchmarking does **not lead to a free ride**: Installations that have higher emissions than the benchmark will have to buy emissions rights- a reinforcement of the **'polluters pay' principle**. It also avoids a technology leader to pay twice, once for the investment and once again for purchasing emission rights.
- Because benchmarking promotes a **level playing field**. Competitors outside the EU face no carbon costs and are in no hurry to lose this advantage. As soon as the EU confirms that benchmarking will award free allowances, these producers outside the EU no longer have a reason to delay joining an international approach to reducing CO₂ emissions.
- Until all major emitters apply carbon costs to their industries, benchmarking remains essential to reduce carbon leakage, maintain a fair competitiveness and avoid unnecessary exports of EU based jobs.

Cefic - The European Chemical Industry Council

Chemistry making a world of difference

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A performance benchmark approach

is an essential tool for climate protection

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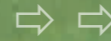
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fig.a



fig.b



What is benchmarking?

Global warming is a threat for mankind and reducing greenhouse gas (GHG) emissions is the essential response to this. Energy and resource efficiency provide the most effective means to reduce emissions. Performance benchmarking as a basis for allocation in the Emissions Trading System (ETS) delivers on that aim.

The benchmark approach keeps the cap of CO₂ allowances

ETS is a functioning cap and trade system. The reduction target or “cap” is a political decision which should be based on global goals and realistic sustainability factors. The trading element is introduced to enable the lowest cost emission reductions to be made first and thereby minimise costs. The fixed number of allowances made available, the cap, is the only guarantee of meeting the target.

The benchmark approach promotes efficiency

The benchmark sets standards for future action. It supports highly efficient European production supplying energy efficient products with lower carbon footprints. Therefore benchmarking provides incentives for energy and resource efficiency.

The Chemical Industry enables low-carbon technologies in sectors where the abatement potential is substantially higher than in the EU chemical industry. Continuous improvement amongst sectors such as chemicals,

cement, glass, metal and paper will support more sustainable and competitive innovations.

The benchmark approach promotes incentives and avoids financial speculation

We need effective incentives leading to the respect of the environmental aims. Rewarding good performance is the one incentive that does provide certainty. The benchmarking approach involves pre-work from the committed sectors. However, once this is done, reporting and updating processes are straightforward. Conversely, the auctioning system requires less pre-work, but entails considerable risks like unknown future costs, some linked to external financial speculation.

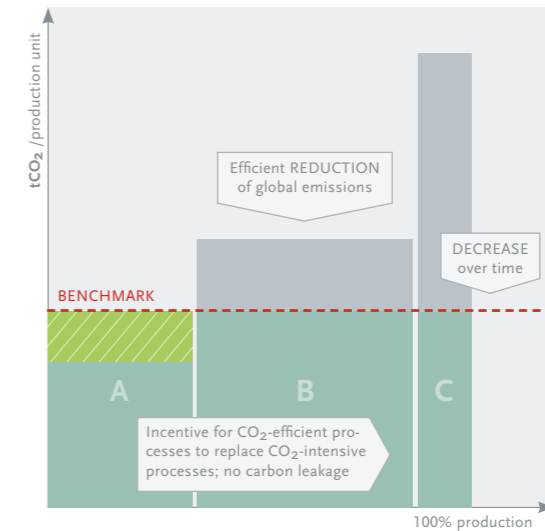
Another incentive is competitiveness. An auctioning approach for the sectors that compete globally would remove substantive revenues from the industry, just when funds are most needed to compete. For the Chemical Industry, these costs are estimated to increase

from €4.7 billion in 2013 to €8.7 billion in 2020 annually.

With the benchmarking approach, the better performers will be awarded more allowances if they invest appropriately thereby avoiding an escalating loss of competitiveness to producers outside the EU.

The results from benchmarking have already been demonstrated

Energy efficiency benchmarks have been used for many years to improve the performance for chemical crackers. The Flemish energy intensive industry avoided 2 M ton of CO₂ emissions thanks to benchmarks between 2002 and 2006. The cement industry has proved with the World Business Council for Sustainable Development the feasibility of benchmarks.



- BENCHMARK
- Free allocations
- Allowances that company A can sell
- Allowances that companies B and C have to buy

How it works

- Establish companies' CO₂ performance
- Establish benchmark which will decrease over time
- Allocate CO₂ allowances according to benchmark

Result

- Company A: incentive to reduce emissions to increase profits
- Company B & C: incentive to reduce emissions to avoid costs
- All companies have the same incentive to reduce emissions