

## DIW Berlin – Workshop on Inclusion of Consumption in Emissions Trading

Date: 26 January 2015 (09:30 am to 05:00 pm) & Dinner at 06:30 pm  
Place workshop: **DIW Berlin** | Mohrenstrasse 58, D-10117 Berlin, Friedensburg Room  
Place dinner: **Café Noe** | Glinkastrasse 23, D-10117 Berlin  
Contact: Karsten Neuhoff | [kneuhoff@diw.de](mailto:kneuhoff@diw.de) (Content questions)  
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*While the UNFCCC Lima outcome and the UNSG's Climate Summit, among other developments, show that pricing carbon remains a key emissions reduction tool, the focus has shifted from global carbon pricing mechanisms towards support for countries in their implementation of national transformation strategies, often including forms of pricing. But while countries retain flexibility on their policy mix, national carbon prices might continue to differ over longer time horizons and countries are likely to continue to implement free allowance allocation in emission trading schemes as a mechanism for leakage protection – which inevitably blunts price signals on carbon emissions. Against this background Climate Strategies wants to explore whether inclusion of domestic consumption of energy intensive commodities (e.g. steel) in domestic emission trading schemes is an effective and feasible approach towards restoring the carbon price signal in these sectors without damaging competitiveness.*

*This workshop aims to develop a shared understanding of purpose and options for implementation, identify differences in approach and priority in different geographical regions and industry sectors, learn from experience to date and identify drivers and barriers for implementation. Based on the results of the workshop Climate Strategies will decide as to whether to explore the questions in an international research project.*

**09:30 Coffee****10:00 – 10:30 Overview and aspects for discussion**

Introduction of participants, Introduction of approach, discussion of workshop structure

**10:30 – 11:30 Rational for the Inclusion of Consumption in an Emission Trading Mechanism?**

What are the mitigation options and potential incentives from an emission trading mechanism with and without Inclusion of Consumption for selected energy- and carbon-intensive materials?

What are sector specific issues to be considered? – (For example: Investment framework for efficient, innovative installations; substitution effects; etc.)?

- Steel (Oliver Sartor, IDDRI)
- Cement (Anne Schopp, DIW)
- Pulp and paper (Lars Zetterberg, IVL)

**11:30 – 11:45 Coffee Break****11:45 – 13:15 Current approaches to leakage protection and institutional settings**

How is leakage protection envisaged/ implemented for very carbon intensive commodities in different regions.

- USA, CA (Carolyn Fischer, RFF)
- Korea (Dr Yong- Gun Kim, KEI)
- China (Clayton Munnings, RFF)
- Europe (Maurits Blanson Henkemans, Ministry of Economic Affairs, the Netherlands)

Discussion on:

- What sectors/ products benefit from special provisions?
- Are indirect cost increases (power price related) also relevant and addressed?
- Is compensation based on historic emissions or benchmarks? What reference period is used for the production volume?
- What are the implications of the leakage protection for investors in the relevant sectors (conventional technologies and carbon efficient technologies)?
- What aspects of the policy process and mechanism are most vividly debated?
- Do elements similar to Inclusion of Consumption already exist in the region?

### **13:15 – 14:00 Lunch Break**

### **14:00 – 15:30 Implementation “Details”**

#### **- Treatment of imported materials**

- Legal and administrative aspects: (Roland Ismer, University of Erlangen and Angus Johnston, Oxford University)
- Quantitative needs: Consumption based accounting – (Richard Wood, NTNU and Anne Owen, Leeds University)

#### **- Treatment of recycled materials** Steel example – (Karl Buttiens, Arcelor Mittal)

#### **- Treatment of indirect emissions**

#### **- Administrative costs** (Alyssa Gilbert, Ecofys)

### **15:30 Coffee break**

### **16:00 – 16:45 Opportunities for international cooperation**

- **The future development of benchmarking.**
  - o What are the experiences with the definition of benchmarks to date?
  - o Can international cooperation provide a wider basis of technology as basis for the definition of BAT benchmark, so as to reduce the disincentives for innovation?
- **International sectoral cooperation in energy intensive sectors**
  - o International sectoral approaches have focused on and failed to deliver a carbon price e.g. steel companies globally. The Inclusion of Consumption in ET reduces the need for a common global carbon price for a sector, opening the space to focus on new elements of an international sectoral approach. How could this catalyze the low-carbon development of a sector – e.g. innovation funding from the consumption charge?
- **Cost impact for different household groups and public budgets**
  - o What costs to expect for public and private consumers from Inclusion of Consumption?
  - o How will this impact use of revenue – e.g. to compensate poor households?

### **16:45 – 17:00 Concluding comments - Next steps for analysis**

- Drivers and barriers for implementation in different regions
- Research tasks for project
- Policy implications of debate

### **18:30 Dinner – Café Noe**

**LIST OF CONFIRMED PARTICIPANTS:**

<b>Name</b>	<b>Affiliation</b>
William Acworth	The German Institute of Economic Research (DIW Berlin)
Hanna Arnold	Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMUB)
Christopher Beauman	European Bank for Reconstruction and Development (EBRD)
Maurits Blanson Henkemans	Ministry of Economic Affairs , Netherlands
Karl Buttiens	Arcelor Mittal
Carl De Mare	Arcelor Mittal
Yue Dong	Ministry of Ecology, Sustainable Development and Energy, of France
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Carolyn Fischer	Resources for the Future (RFF)
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Roland Ismer	University of Erlangen
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Sven Marschalek	Association of Industrial Energy Users (VIK)
Manuel Mohr	Cement Industry Association (VDZ)
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