Financial crisis tests industry's green priorities
Joshua Chaffin

As credit problems deepen, some are lobbying for laxer gas emission rules, writes Joshua Chaffin in Brussels

The slowing economy and financial crisis are testing Europe's goal of becoming a world leader in greenhouse gas reduction.

Industry has seized on the slowdown to lobby for delayed or watered down regulations, arguing that directives set out by the European Commission earlier this year would force them to cut jobs or relocate factories abroad.

Some politicians also acknowledge that the financial crisis could hinder efforts to forge international agreements on reducing emissions.

"This crisis changes priorities," Frank-Walter Steinmeier, the German foreign minister, last week told a conference on transatlantic climate and energy cooperation in Berlin. "One cannot rule out that interest in protecting the climate will change because of such a crisis."

Tomorrow the European Parliament's environmental committee is set to vote on a range of measures at the heart of the EU's commitment to reduce greenhouse gas emissions by 20 per cent by 2020.

Among the proposals are plans to expand emissions trading, accelerate the development of carbon capture and storage and a measure that would ban the construction of new power plants that emit more than 350 grams of carbon dioxide per kilowatt hour - essentially ruling out coal-fired plants. The results of the vote, dubbed "Super Tuesday," will form the basis for negotiations with the EU's 27 member states. With members of Parliament facing reelection in the spring, it is seen as a last chance for Europe to pass meaningful climate legislation before an international summit to renegotiate the Kyoto treaty next year.

"It is very important that the EU is ambitious because the EU will have to be a leader if we want to have an international deal that means something," said Delia Villagrasa, the EU climate project co-ordinator at the World Wildlife Fund.

However, the economic environment has deteriorated since the Commission first spelled out its climate change proposals in January. Just last week, France confirmed that it had fallen into recession and Spain reported that unemployment had surged past 11 per cent while governments were forced to bail out banks amid a growing financial crisis.

"You have to keep in mind that only with a good economy can you afford all this," Heimo Schuch, chief operating office of Wienerberger, the world's largest manufacturer of clay bricks, said.

Mr Schuch is focused on one of the most contentious proposals, which would adjust Europe's emissions trading scheme so that companies would have to buy emissions allowances at auction beginning in 2013. Until now, they have received them free.

If adopted, that measure would drive up housing prices across Europe, says Mr Schuch, while giving an unfair advantage to other building materials, such as aluminium, which have been exempted from the auction.

Alistair Steel, executive director of Euro Chlor, which represents about 40 European chlorine manufacturers, raised similar concerns.

Electricity accounts for about half the cost of chlorine production. Mr Steel argued that chemical companies would be forced to invest in new plants elsewhere - a dynamic known as

"carbon leakage" — if they were forced to absorb emissions costs passed on by power companies.

As such, he is asking that his member companies receive some emissions allowances to offset those costs.

"All these statements that have been made by Europe up until now have been from the environmental view," Mr Steel said. "Now the bill is coming due."

But environmental groups dismiss such claims. "The problem is that we've had a lot of scare-mongering from the traditional industries, which are always against change," said Sanjeev Kumar, the World Wildlife Fund's emissions trading scheme coordinator.

Mr Kumar argued that some of the industries that have complained the loudest - such as cement and paper - make products that cannot be easily exported, and so would not readily leave Europe.

More broadly, environmentalists warn that putting off investments now will only increase costs in future.

Fonte: Financial Times, London, October 6 2008, Primeiro Caderno, p. 6.