Views of the current EU-ETS

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ote: The views expressed in this presentation are solely those of the presenter,

Contents

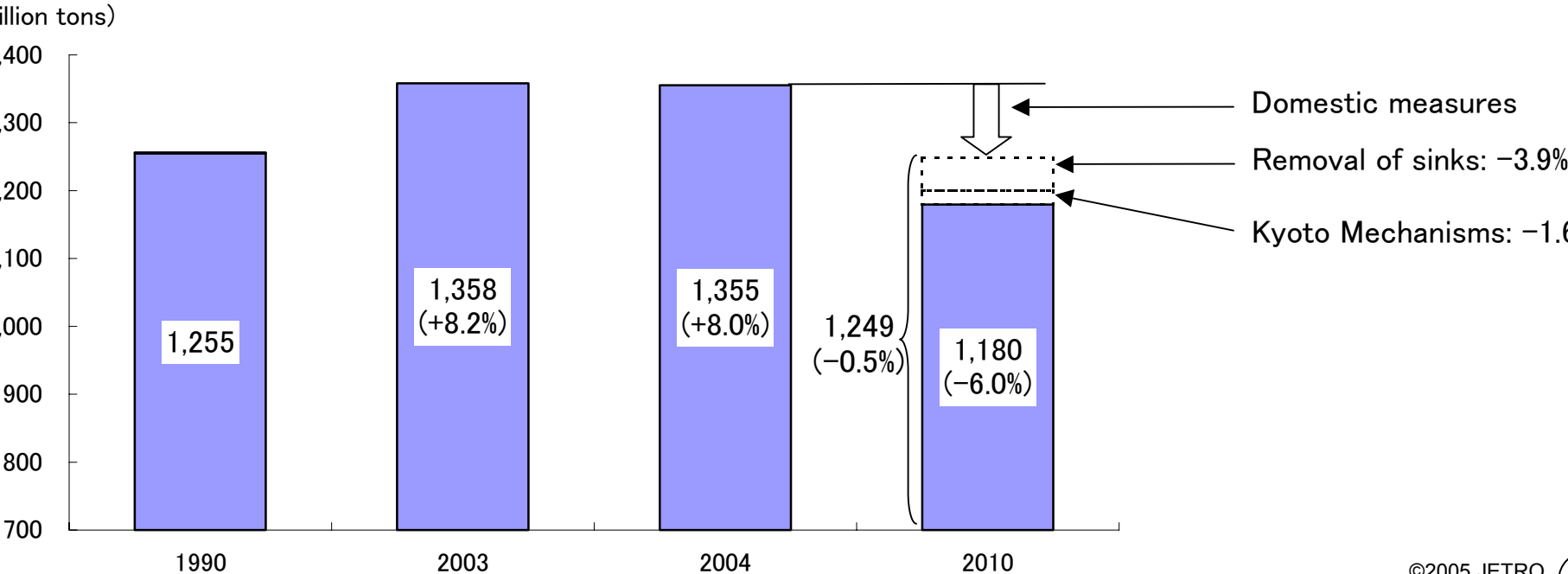
- The current situation in Japan
- Analysis of the result in the first year of EU-ETS
  - Balances in categories and countries
  - Position of the companies with the largest allowances
- Japanese companies under the EU-ETS
- Conclusions

The Japanese Governments Plan to Achieve its Target

- The latest data (2004) of greenhouse gas emissions in Japan is approx. 1,355 million tons. This amount is approx. an 8% increase in comparison to the base year.

- Domestic measures have been assigned to attain a 0.5 % decrease in comparison to the base year. This means the measures need to achieve an 8.5% reduction. The utilization of the Kyoto Mechanisms has been assigned to achieve a 1.6% reduction in accordance with the Japanese Government Kyoto Credits Acquisition Programme. The removal of sinks has also been assigned to achieve a 3.9% reduction.

- Unfortunately, these planned reductions, although not easily achieved, must be attained.



The Kyoto Credits Acquisition Programme

- The Japanese government needs a total of 100 million tons of credits (through CDM, JI and GIS).
- The Kyoto Credits Acquisition Programme commenced from the FY 2006.
- The budget for the FY 2006 was set at US$100 million.
- The acquisition is implemented by the NEDO (New Energy and Industrial Technology Development Organization).
- In addition, the government has launched a comprehensive supporting scheme: Japan Kyoto Mechanisms Acceleration Programme (JKAP).

Japan Kyoto Mechanisms Acceleration Programme (JKAP)

Ministry of Foreign Affairs
Ministry of Economy, Trade Industry (METI)
Ministry of the Environment
NEDO
JAPAN BANK FOR INTERNATIONAL COOPERATION (JBIC)
JICA
JETRO
Nippon Export and Investment Insurance (NEXI)
IGES
OECC
Global Environment Centre Foundation (GEC)
JCF

Japan JKAP

JKAP: Comprehensive Supporting Schemes

Outline of JKAP

Project Flow	Menu of Support Schemes	
	For Japanese Orgs	For Host Countries
Capacity Building	▸ Information Dissemination/Awareness Raising	
	▸ PDD and Baseline Methodologies	
		▸ Human/Institutional CB
	▸ Financial Sector CB	
	▸ Other Capacity Building Assistance	
Project Planning	▸ Feasibility Study	
	▸ CDM Modeled Validation	
	▸ Business Matching	
Project Implementation	▸ Upfront Payment	
	▸ Underlying Finance	
Credit Issuance	▸ Credit Purchase	
	▸ National Registry	

Japanese Voluntary Emission Trading Scheme (JVETS)

- The Japanese Ministry of Environment started a subsidy programme to try to creat an emission trading scheme in the FY 2005. This programme gives subsidies to companies to invest in order to reduce emissions.

- The purpose of this programme is to achieve real reductions by investment and to collate knowledge and experience in domestic emission trading.

- The companies are allocated allowances for past emissions minus projected reductions. The penalty for failing in their commitment is the return of the subsidy received.

- Within the FY 2006, 23 companies have received subsidies. The average past emissions for each of these installations is approx. 12,000 tons.

- No large emitters participated in this programme. They appear not to be supportive They would disagree with the allocation method if the scheme were mandatory.

The Data for Analysis of the Result in the First Year of EU-ETS

- The data for this analysis was collated from the CITL (the Community Independent Transaction Log). The CITL does not include the installations located in Malta.

Information of the CITL about an installation of Arcelor in Dunkergue

Operator Holding Account Information - FR FR-120-977-0

General Information

Account Identifier	Holding Registry	Account Type	Account Holder	Installation Number	Account Status
FR-120-977-0	France	120-Operator Holding Account	BARDET Isabelle	956	open

Details on Contact Information

Type	Name	Main Address Line	Secondary Address Line	Postal Code	City	Country	Main Phone Number	Alternate Phone Number	Fax Number	E-Mail Address
Account holder	BARDET Isabelle	11/13 Cours Valmy	Immeuble La Pacific	92070	La Défense Cedex	France	+3242362179	+33141258249	+3242362860	isabelle.bardet@arcelor.com
Primary authorised representative of the account holder	LAO Daniel	Rue du Comte Jean	BP 2508 Grande Synthe	59381	Dunkerque Cedex	France	+33328293476	+33328294848	+33328296920	daniel.lao@arcelor.com
Secondary authorised representative of the account holder	RODRIGUEZ Emmanuel	Immeuble La Pacific	11-13 Cours Valmy	92070	La Défense	France	+33141259232	+33141255024	+33141255003	emmanuel.rodriguez@arcelor.com

Installation Information

Installation General Information

Installation Number	Installation Name	Permit Number	Subsidiary Company	Parent Company	EPER Identification
956	Sollac Atlantique - Site de Dunkerque	07000956			059SOL4092

Installation Address Information

Main Address Line	Secondary Address Line	Postal Code	City	Country	Latitude	Longitude	Main Activity
Rue du Comte Jean	BP 2508 Grande Synthe	59381	Dunkerque Cedex	FR	5.9673	26.68567	5-Installations for the production of pig iron or steel (primary or secondary fusion) including continuous casting

Installation Contact Information

Name	Main Address Line	Secondary Address Line	Postal Code	City	Country	Main Phone Number	Alternate Phone Number	Fax Number	E-Mail
Daniel LAO	Rue du Comte Jean	BP 2508 Grande Synthe	59381	Dunkerque Cedex	FR	+33328293476	+33328294848	+33328296920	daniel.lao@arcelor.com

Compliance Information

Commitment Period	Year	Allowance Allocated	Force Majeure Allowances	Verified Emissions	Total Units Surrendered	Surrendered Allowances	Surrendered ERUs	Surrendered CERs	Compliance Code	Options
2005-2007	2005	12244979	0	11534467	0	0	0	0	N	Details on Surrendered Units
2005-2007	2006	12244979								
2005-2007	2007									

Distributed allocation

Reported emission

Number of installations, allowances, emissions and balances – by categories

- The data collection date was 17th November 2006. I have left out the data for installations that did not report verified emissions in 2005. I also omitted the data for installations that did not receive any allowances.

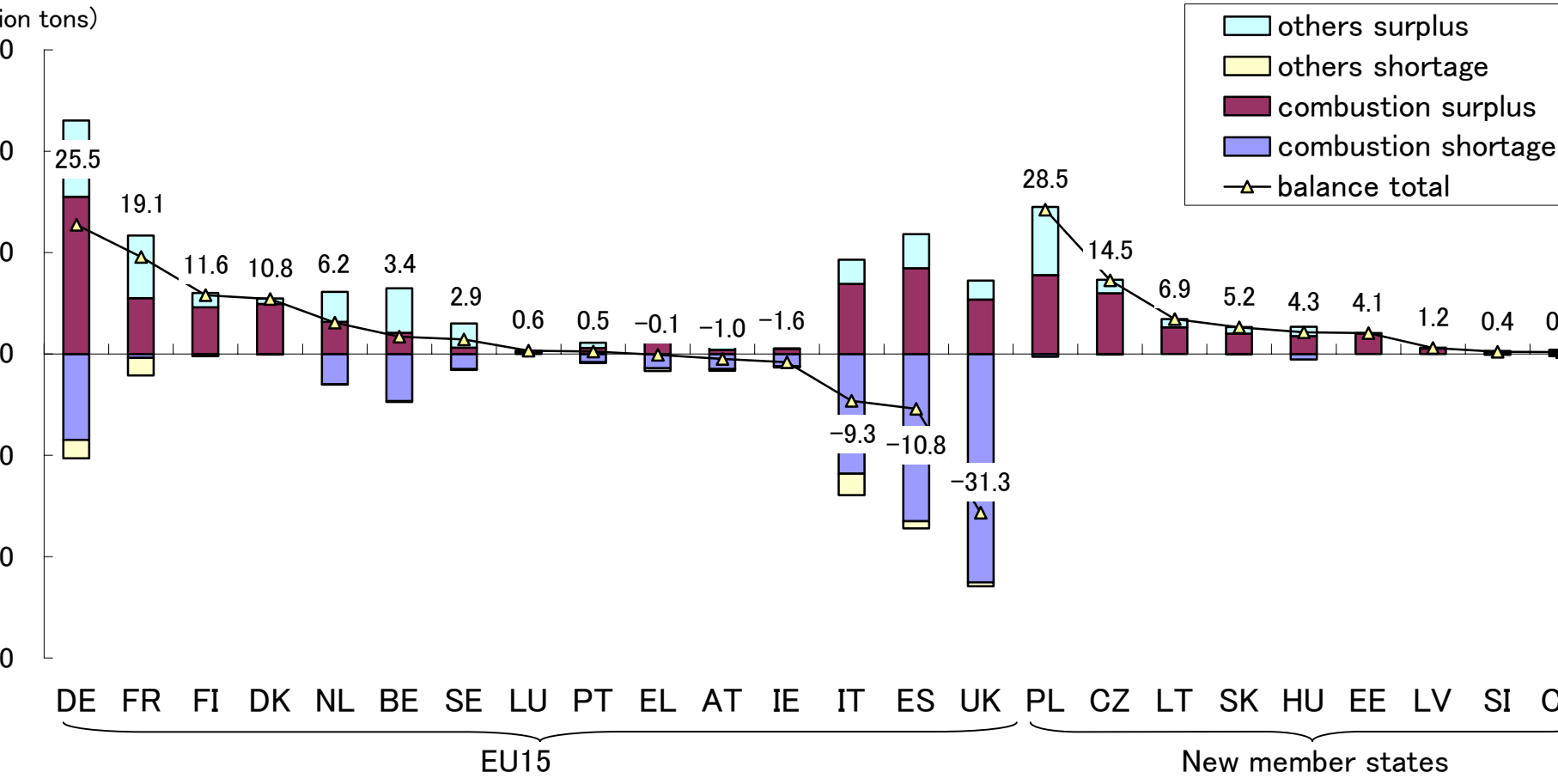
	Data for the analysis				Omitted data			
	Number of Installations	EUA (Mill. Tons)	Emission (Mill. Tons)	Balance (Mill. Tons)	Number of Installations	EUA (Mill. Tons)	Emission (Mill. Tons)	Balance (Mill. Ton
mbustion	6,115	1,360.0	1,343.7	16.3	321	0.6	12.1	−1
fineries	149	156.5	147.4	9.1	1	0.0	0.0	
ke ovens	18	21.8	18.7	3.1	1	0.8	0.0	
tal Ore	12	8.8	7.8	1.0	0	0.0	0.0	
eel	219	167.2	133.1	34.0	4	0.0	0.0	
ment & Lime	462	185.7	171.8	13.8	18	0.1	0.9	−0
ss	371	21.2	19.0	2.1	12	0.2	0.1	
ramics	1,023	16.6	13.7	2.9	31	0.3	0.1	
p & Paper	750	36.9	30.0	6.9	43	0.1	0.0	
ted-in pursuant Article 24	401	32.2	29.5	2.8	177	0.0	0.0	
	9,520	2,006.7	1,914.7	92.1	608	2.1	13.2	−1

Number of installations, allowances, emissions and balances – by countries

	Data for the analysis				Omitted data			
	Number of Installations	EUA (Mill. Tons)	Emission (Mill. Tons)	Balance (Mill. Tons)	Number of Installations	EUA (Mill. Tons)	Emission (Mill. Tons)	Balance (Mill. Tons)
AT: Austria	197	32.4	33.4	−1.0	2	0.0	0.0	0.0
BE: Belgium	307	58.3	54.9	3.4	3	0.0	0.5	−0.5
CY: Cyprus	13	5.5	5.1	0.4	0	0.0	0.0	0.0
CZ: Czech Republic	387	96.9	82.4	14.5	8	0.0	0.1	−0.1
DE: Germany	1,824	494.8	469.3	25.5	28	0.1	4.7	−4.6
DK: Denmark	372	37.3	26.5	10.8	12	0.0	0.0	0.0
EE: Estonia	41	16.7	12.6	4.1	3	0.0	0.0	0.0
EL: Greece	134	71.1	71.3	−0.1	6	0.0	0.0	0.0
ES: Spain	769	171.7	182.5	−10.8	58	0.4	0.4	0.1
FI: Finland	459	44.7	33.1	11.6	141	0.0	0.0	0.0
FR: France	1,070	150.4	131.3	19.1	17	0.0	0.0	0.0
HU: Hungary	229	30.2	26.0	4.3	7	0.0	0.1	−0.1
IE: Ireland	102	19.2	20.8	−1.6	12	0.0	1.6	−1.6
IT: Italy	903	215.5	224.7	−9.3	52	0.3	0.6	−0.3
LT: Lithuania	93	13.5	6.6	6.9	7	0.0	0.0	0.0
LU: Luxembourg	15	3.2	2.6	0.6	0	0.0	0.0	0.0
LV: Latvia	89	4.1	2.9	1.2	7	0.0	0.0	0.0
NL: The Netherlands	203	86.5	80.3	6.2	7	0.0	0.1	−0.1
PL: Poland	543	150.0	121.5	28.5	7	1.0	0.0	1.0
PT: Portugal	240	36.9	36.4	0.5	4	0.0	0.0	0.0
SE: Sweden	600	22.2	19.3	2.9	105	0.1	0.0	0.1
SI: Slovenia	94	9.1	8.7	0.4	4	0.0	0.0	0.0
SK: Slovakia	175	30.5	25.2	5.2	0	0.0	0.0	0.0
UK: United Kingdom	661	206.0	237.4	−31.3	118	0.0	5.1	−5.1
EU24	9,520	2006.7	1914.7	92.1	608	2.1	13.2	−11.1

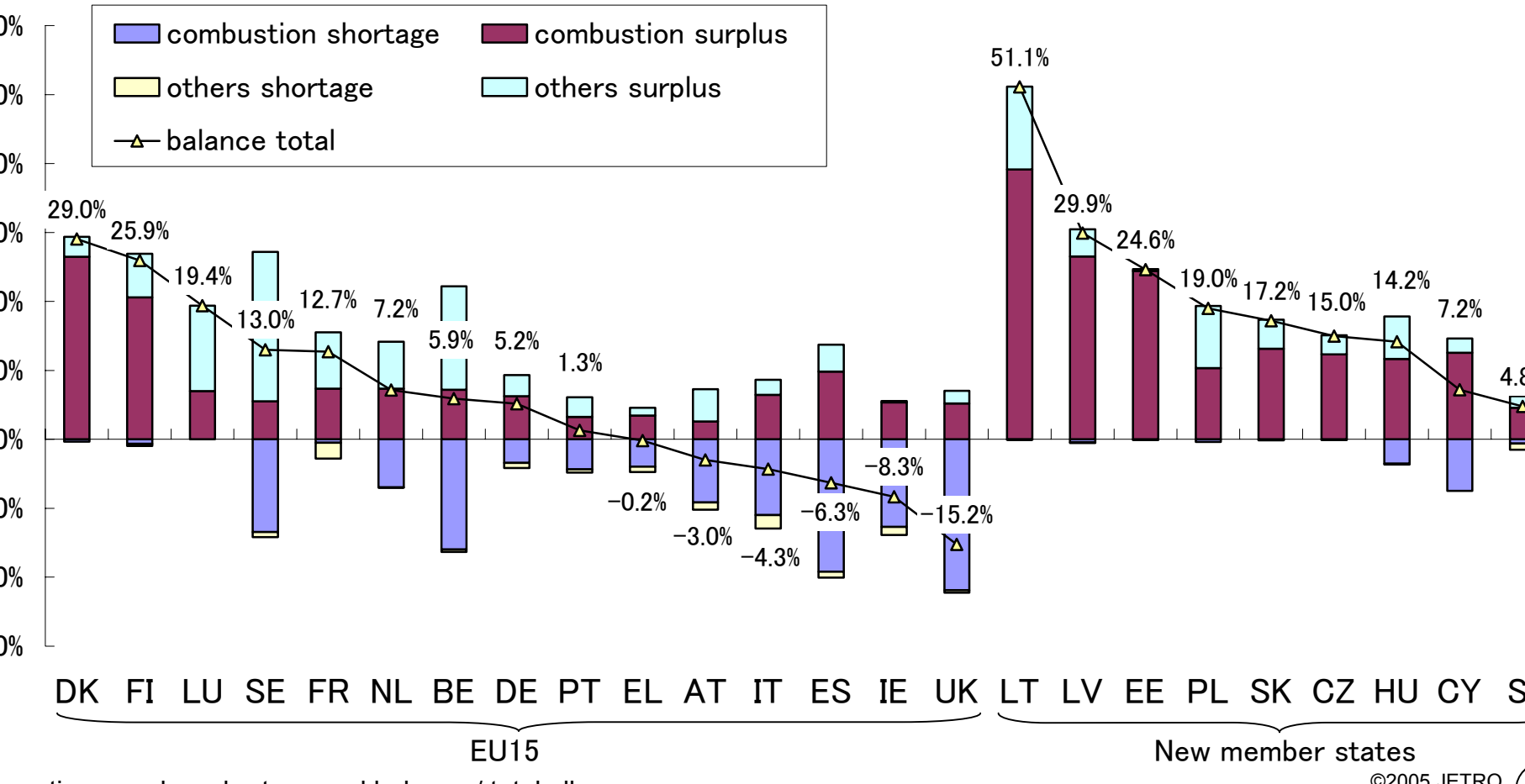
The balance in 2005 – the absolute value

- This figure shows the absolute amounts of surpluses, shortages and balances by countries. The absolute amounts have a strong influence on the total emission size of the countries. Thus, the presence of the big 6 emitters is outstanding.



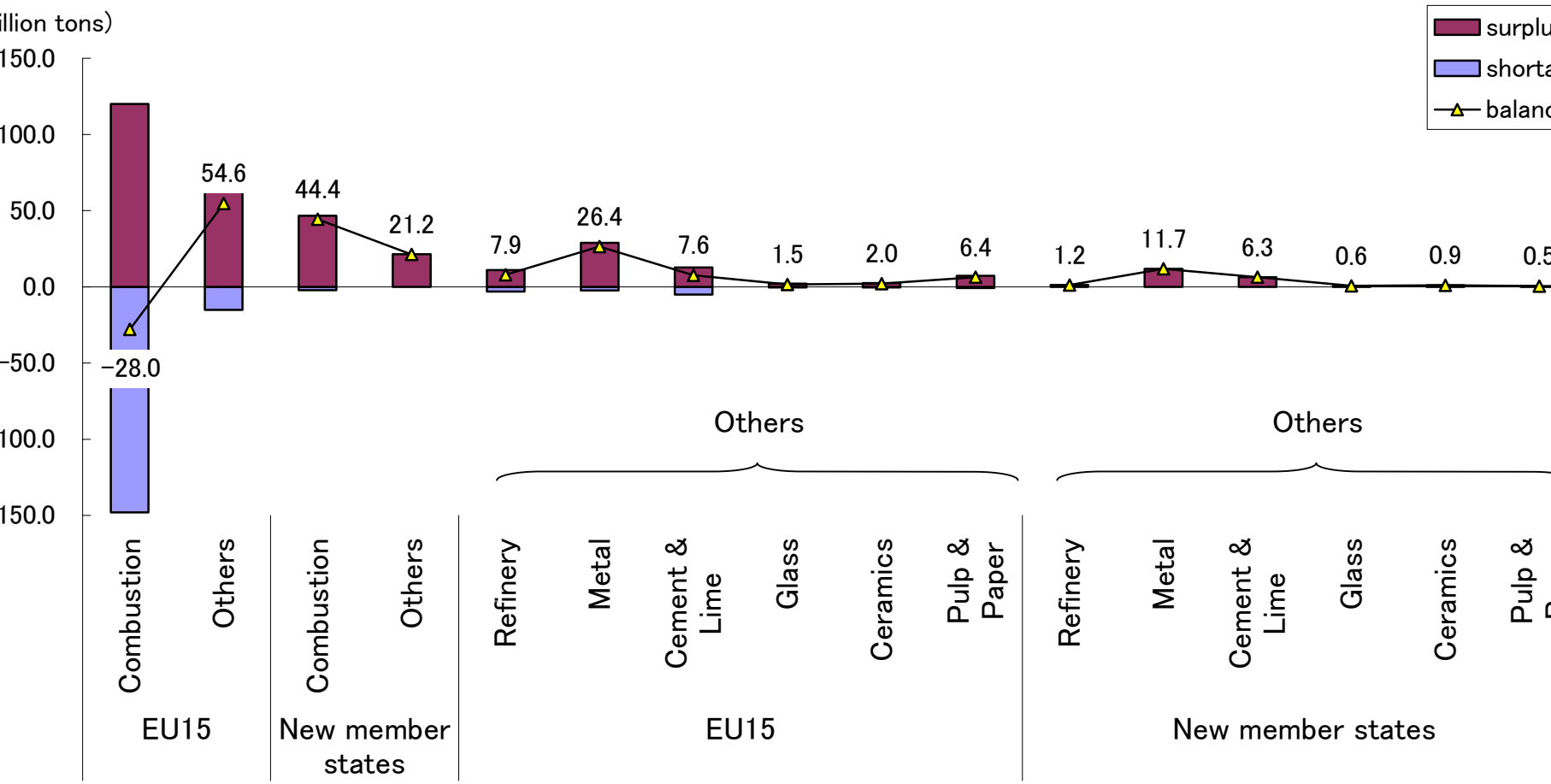
The balance in 2005 – the ratio

This figure shows the ratio of surpluses, shortages and balances divided by total allowances. The columns of EU 15 have grown both upward and downward. On the other hand, the columns of the new member states are mainly upward. This indicates that NMS have more over-allocation than EU15.



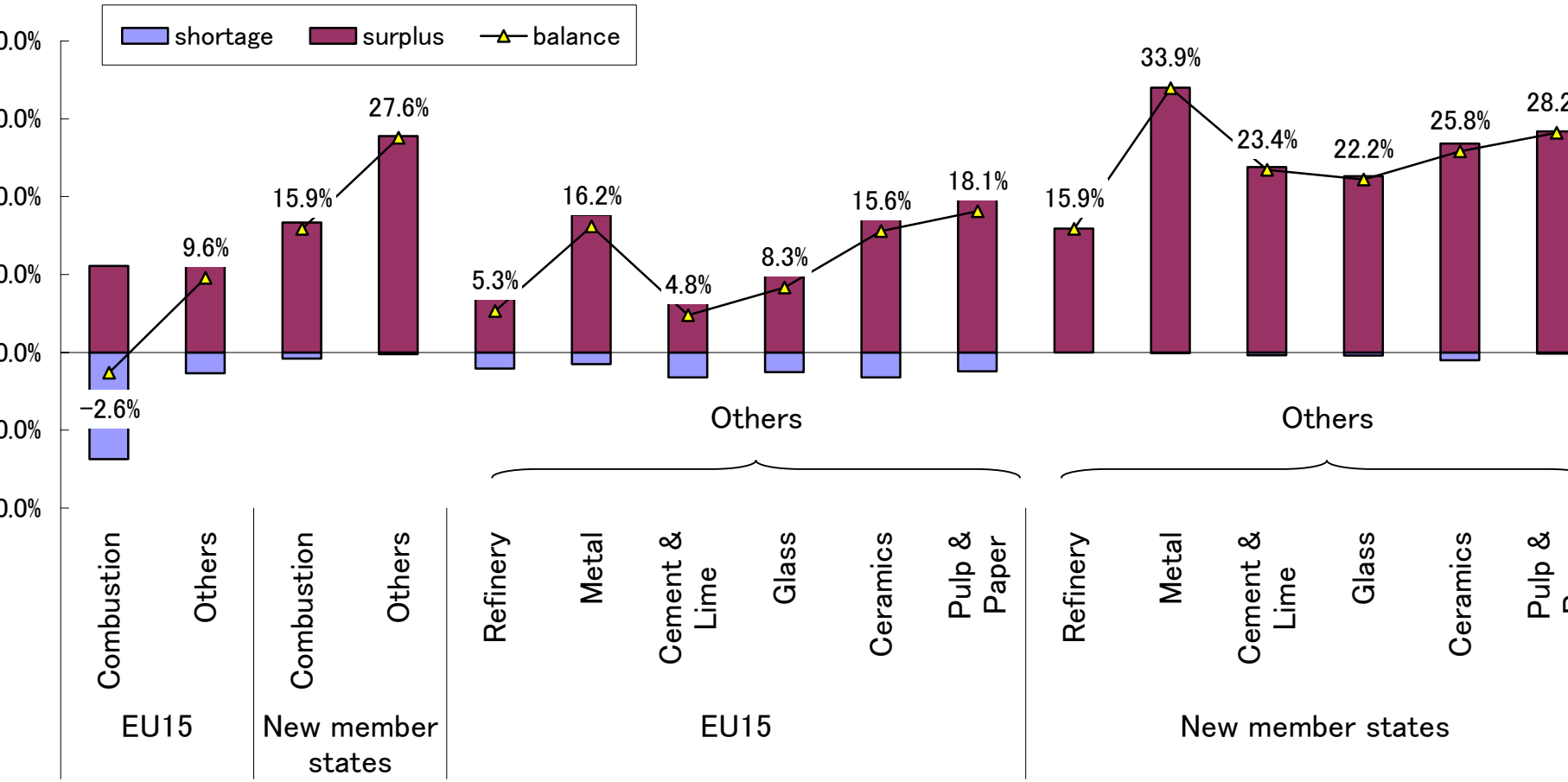
The balance by categories in 2005 – the absolute value

- This figure shows the absolute amounts of surpluses, shortages and balances by categories. Only the balance of the combustion category in EU15 is negative. Although all other categories are small, the aggregated surplus is not small.



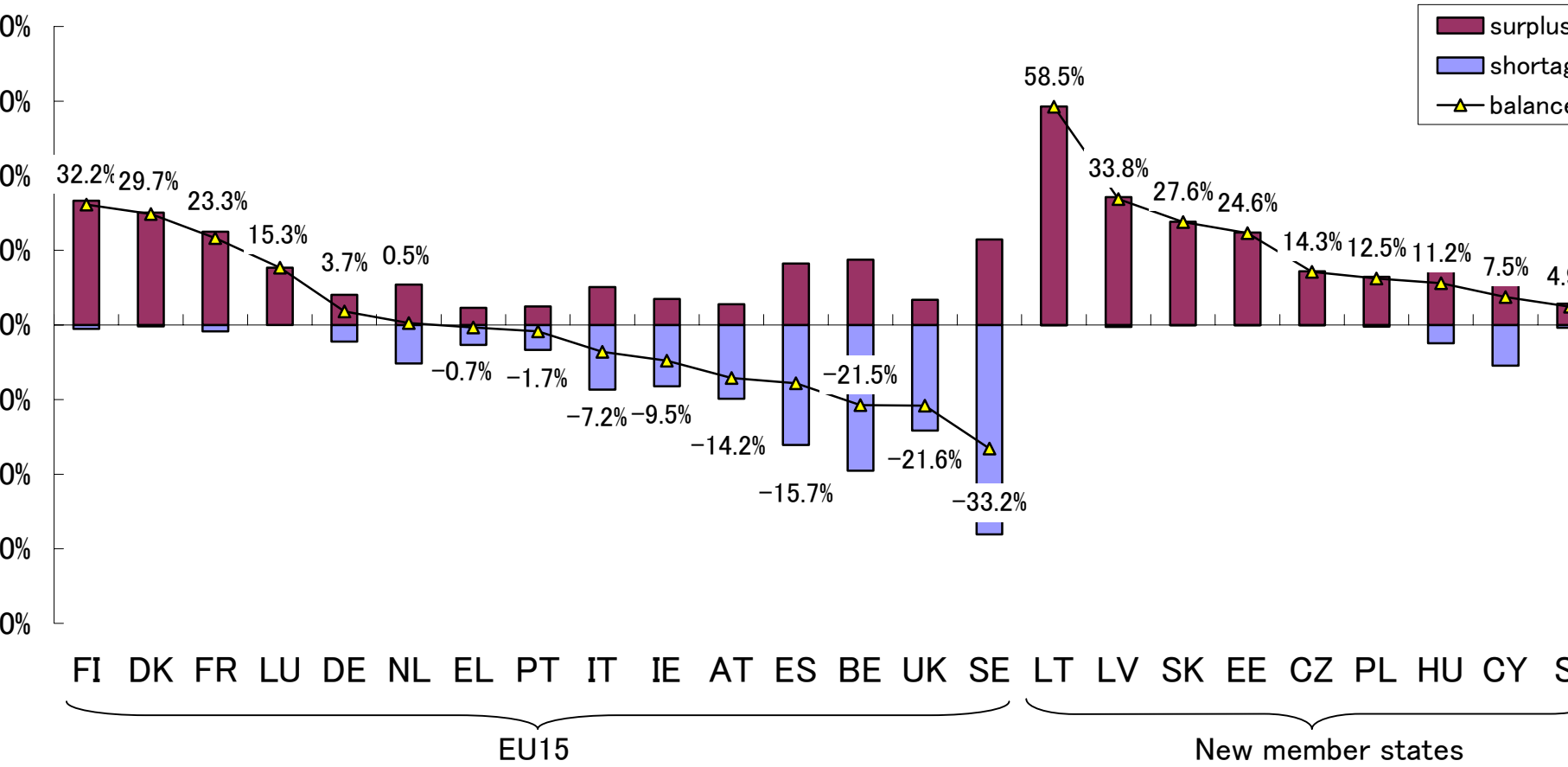
The balance by categories in 2005 – the ratio

- The length of the upward columns other than the combustion category in EU 15 is significantly longer than the downward. This indicates industrial installations have more over-allocations than combustion installations not only in NMS but also EU15



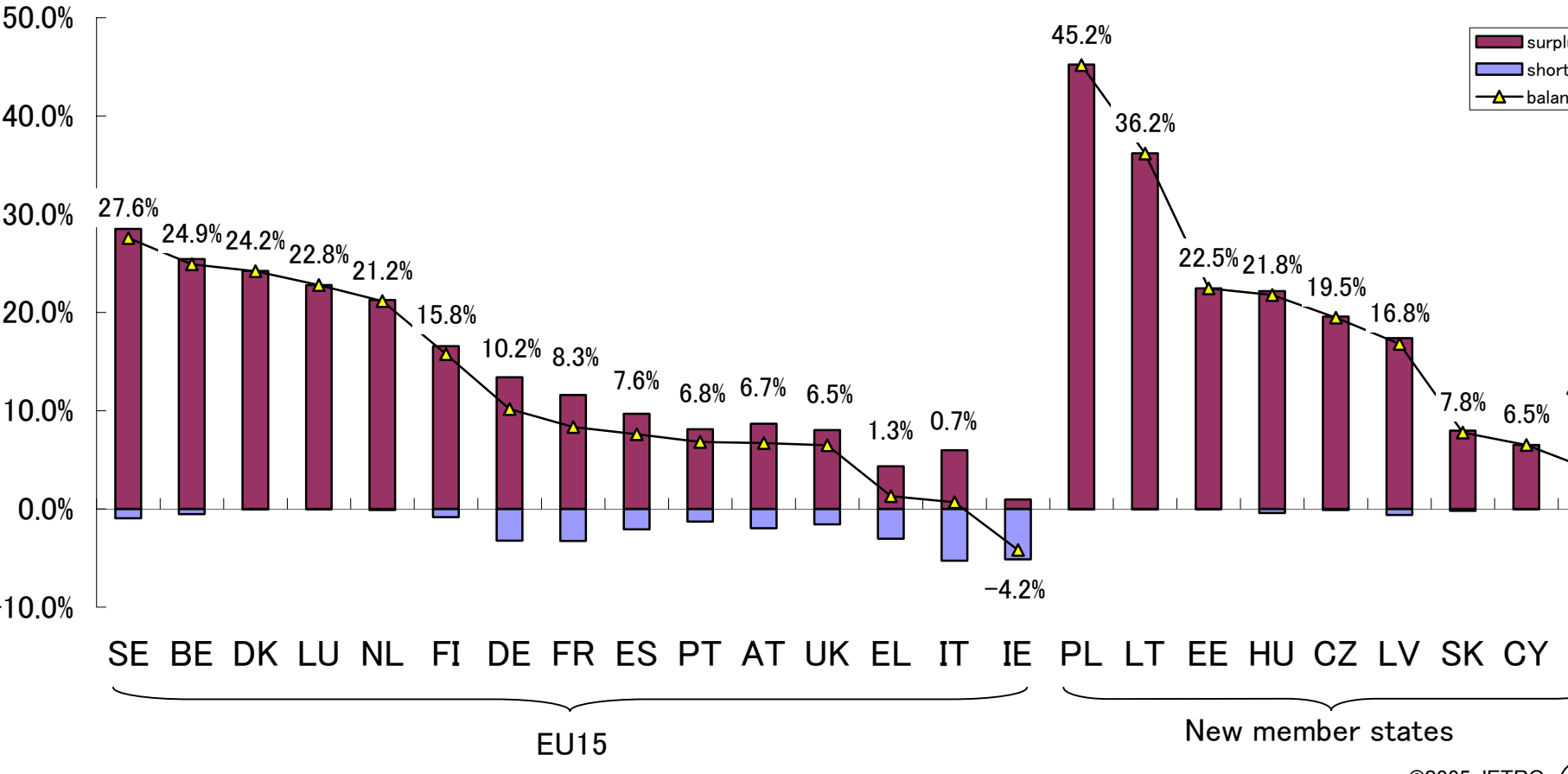
The balance of the combustion category in 2005 – the ratio

- This figure shows the surpluses, shortages and balances of the combustion category by countries. More than half of the balance in EU15 is negative. All of the balances in the new member states are positive.



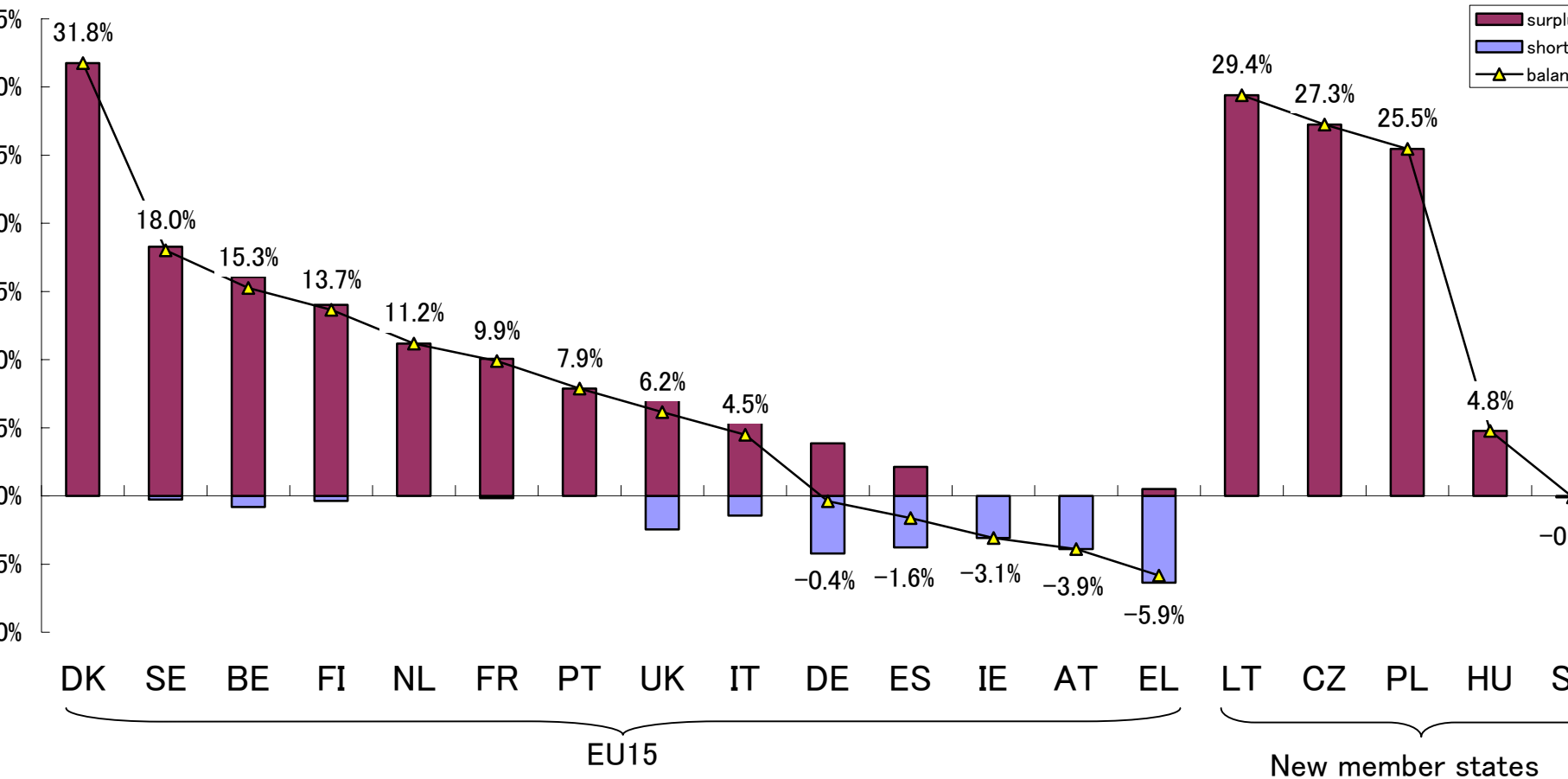
The balance of the other categories in 2005 – the ratio

- The balances of the categories other than the combustion category are almost always positiv
  Although the balances of the combustion category in Belgium and Sweden are lower, the balances of the others are higher. This may indicate allowances are passed on to industrial installations from combustion installations in that countries.



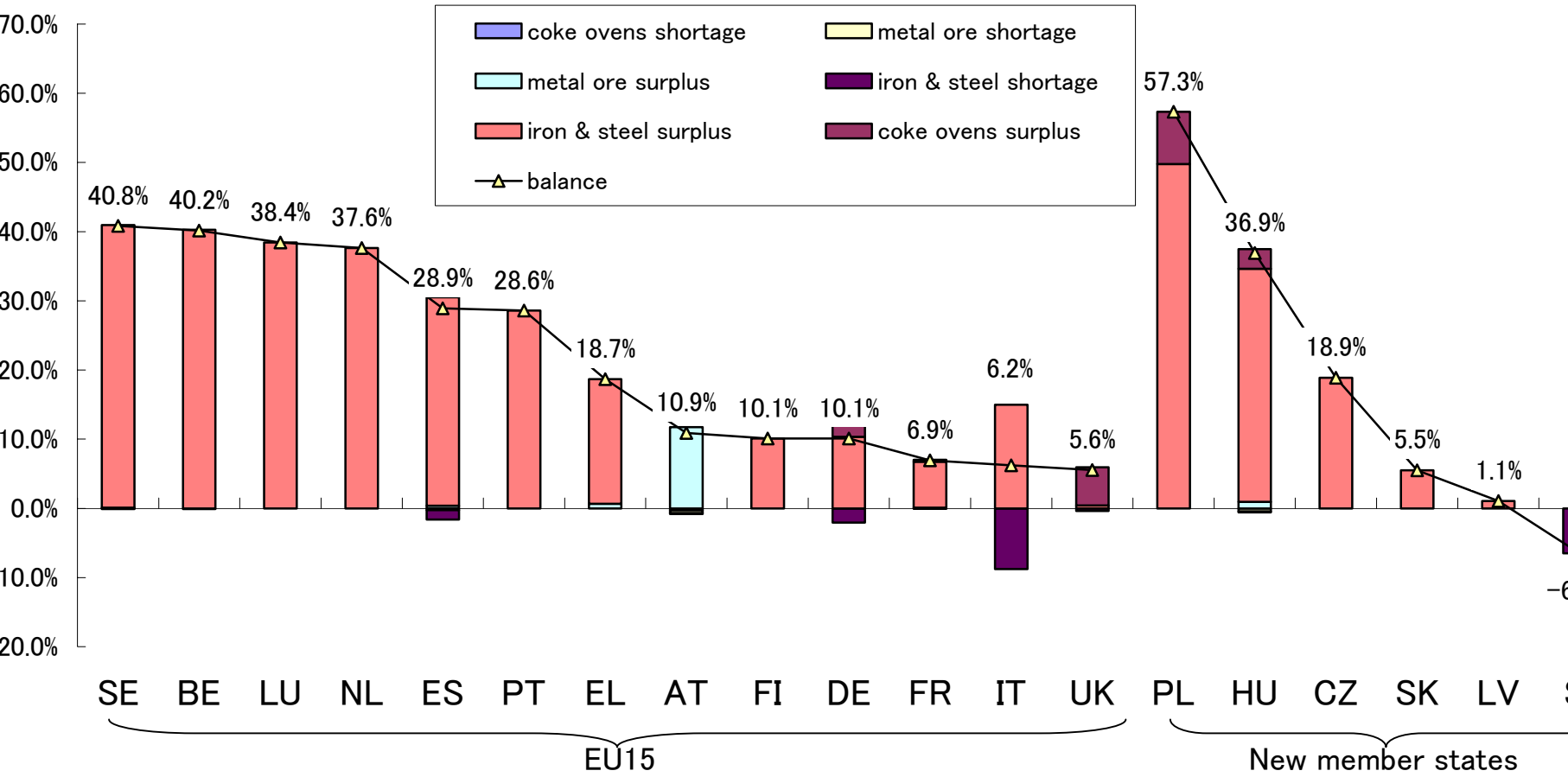
The balance of the refinery category in 2005 – the ratio

- This figure shows the surpluses, shortages and balances of the refinery category b countries. The balances in 5 countries in EU15 are negative. The columns of Ireland, Austria and Greece have grown mainly downward.



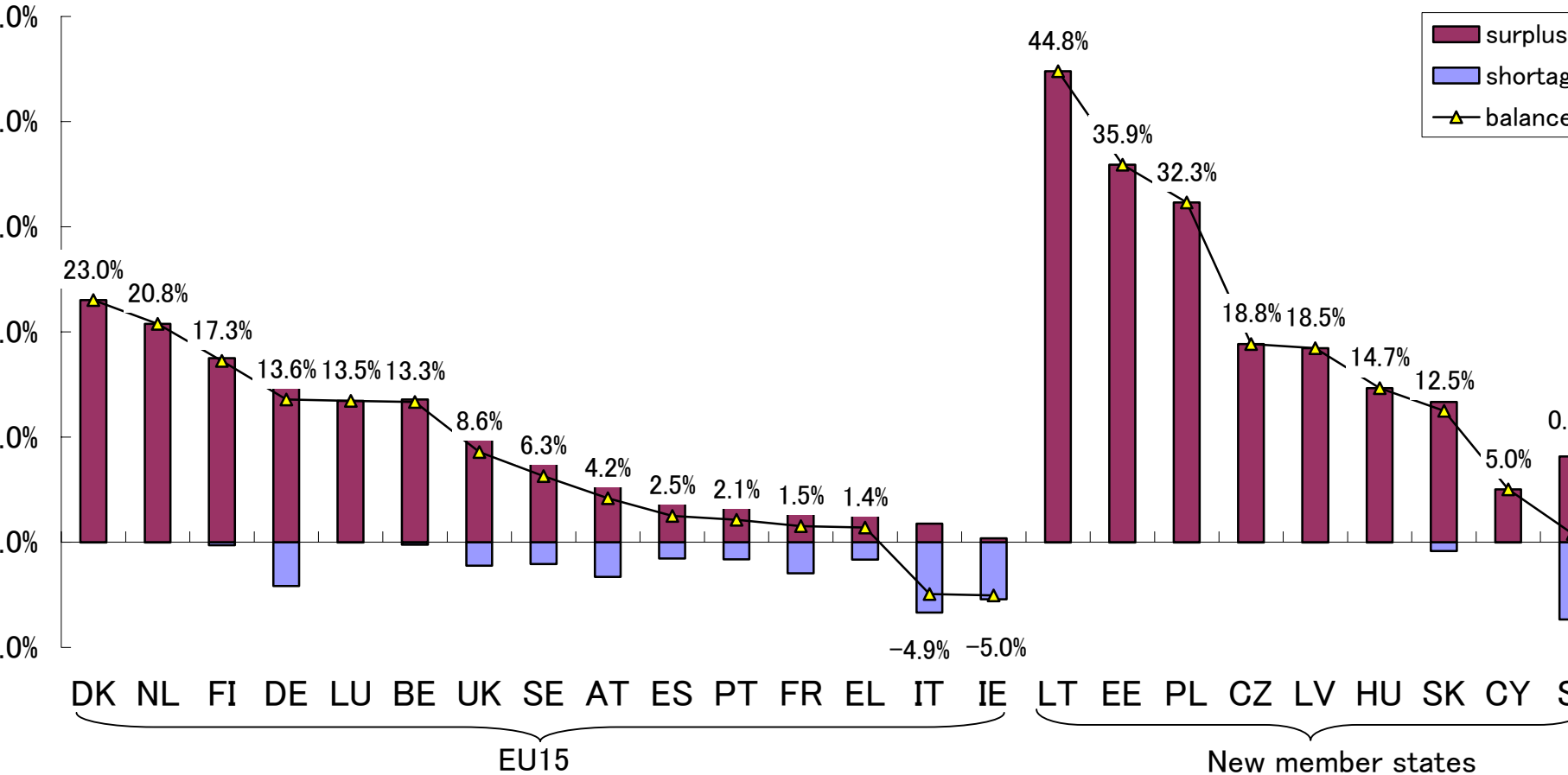
The balance of the metal category in 2005 – the ratio

- The balances of the metal categories in EU15 are all positive. This is remarkable. Although the balance of Poland is the highest, the 2nd to 5th highest balances are i EU15 (Sweden and Benelux).



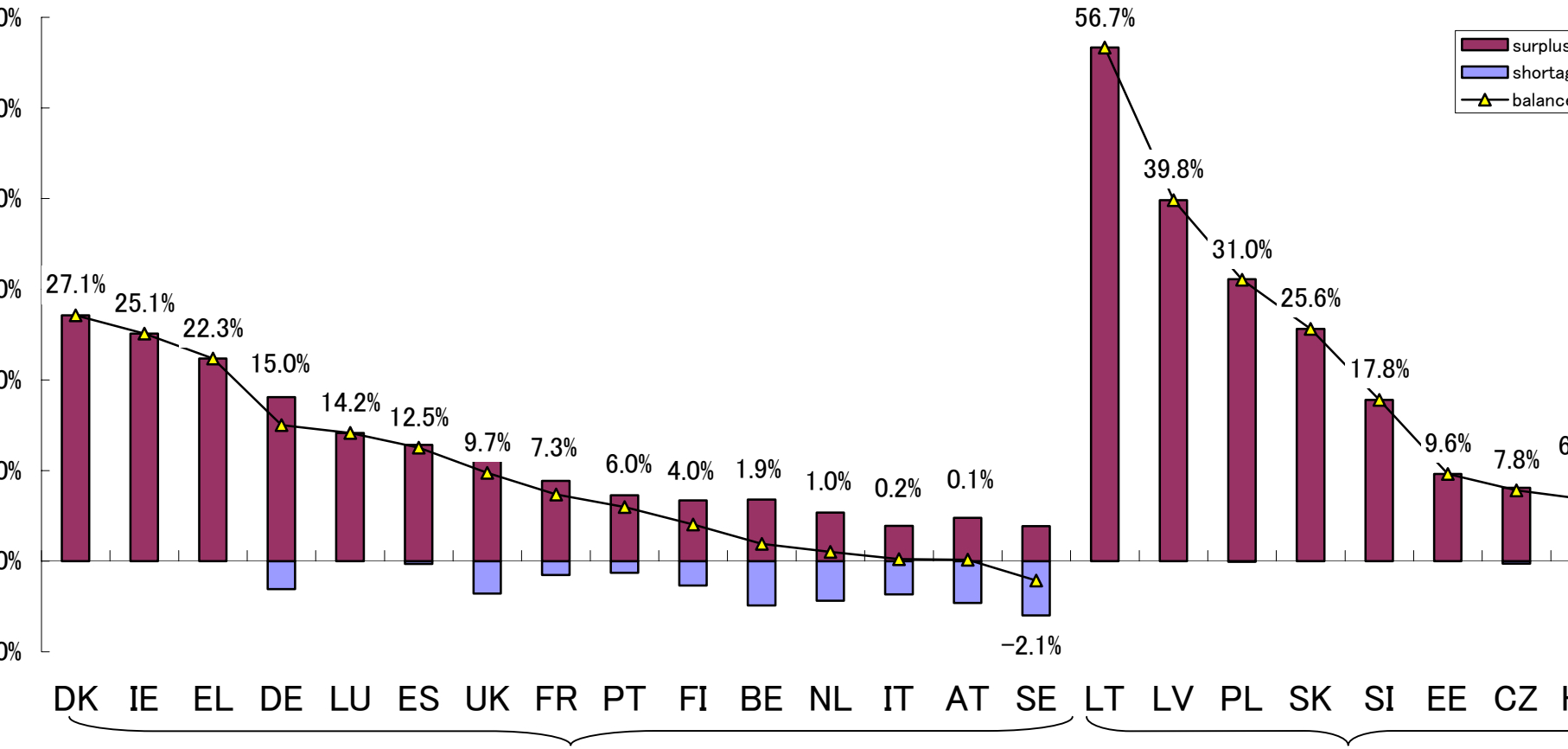
The balance of the cement & lime category in 2005 – the ratio

- The difference in the cement & lime category between the country with the highest surplus and the country with the lowest shortage in EU15 is the smallest of all categories. In the new member states, the difference is the 3rd smallest.



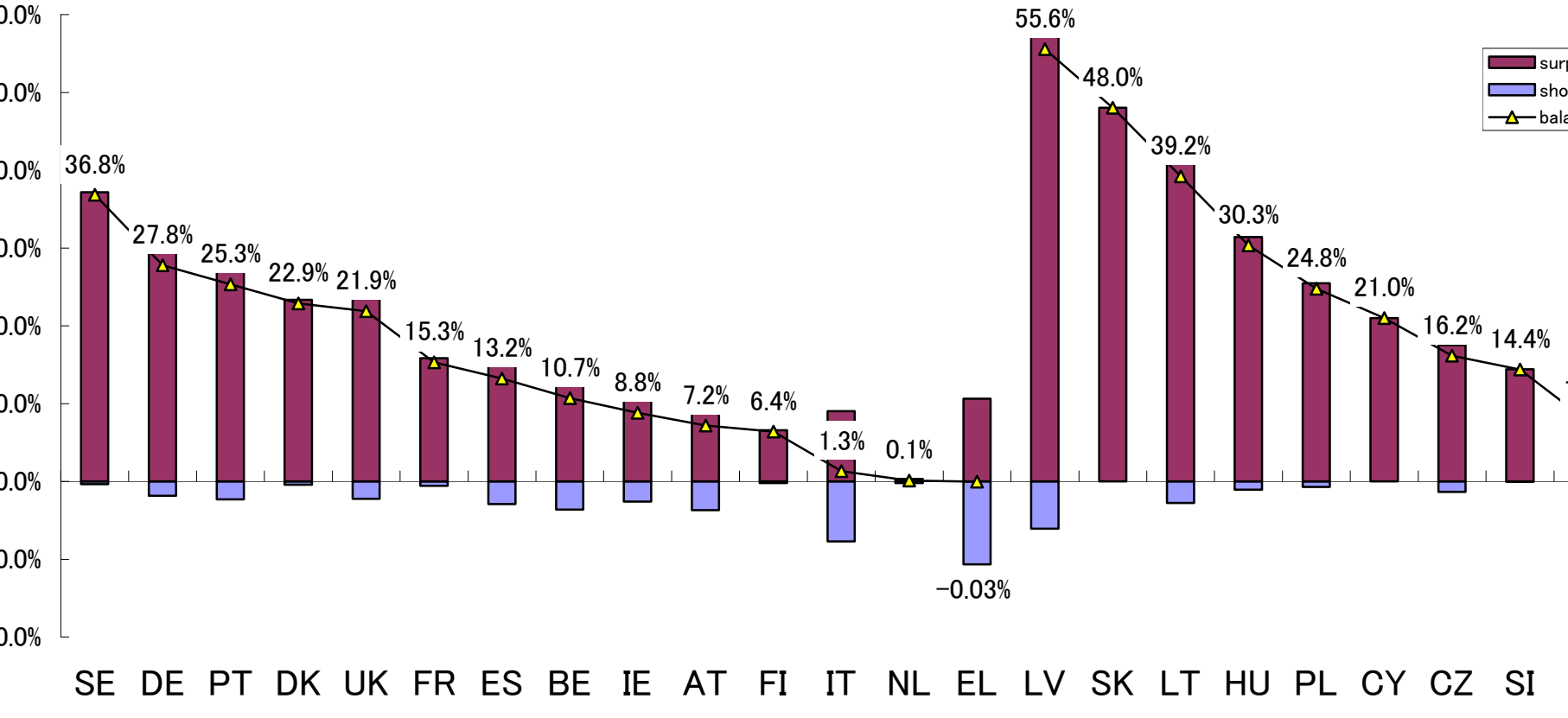
The balance of the glass category in 2005 – the ratio

This figure shows the surpluses, shortages and balances of the glass category by countries. The balances are almost always positive. The columns of Belgium, the Netherlands, Italy, Austria and Sweden have grown as much upward as downward. This implies a big difference in those countries.



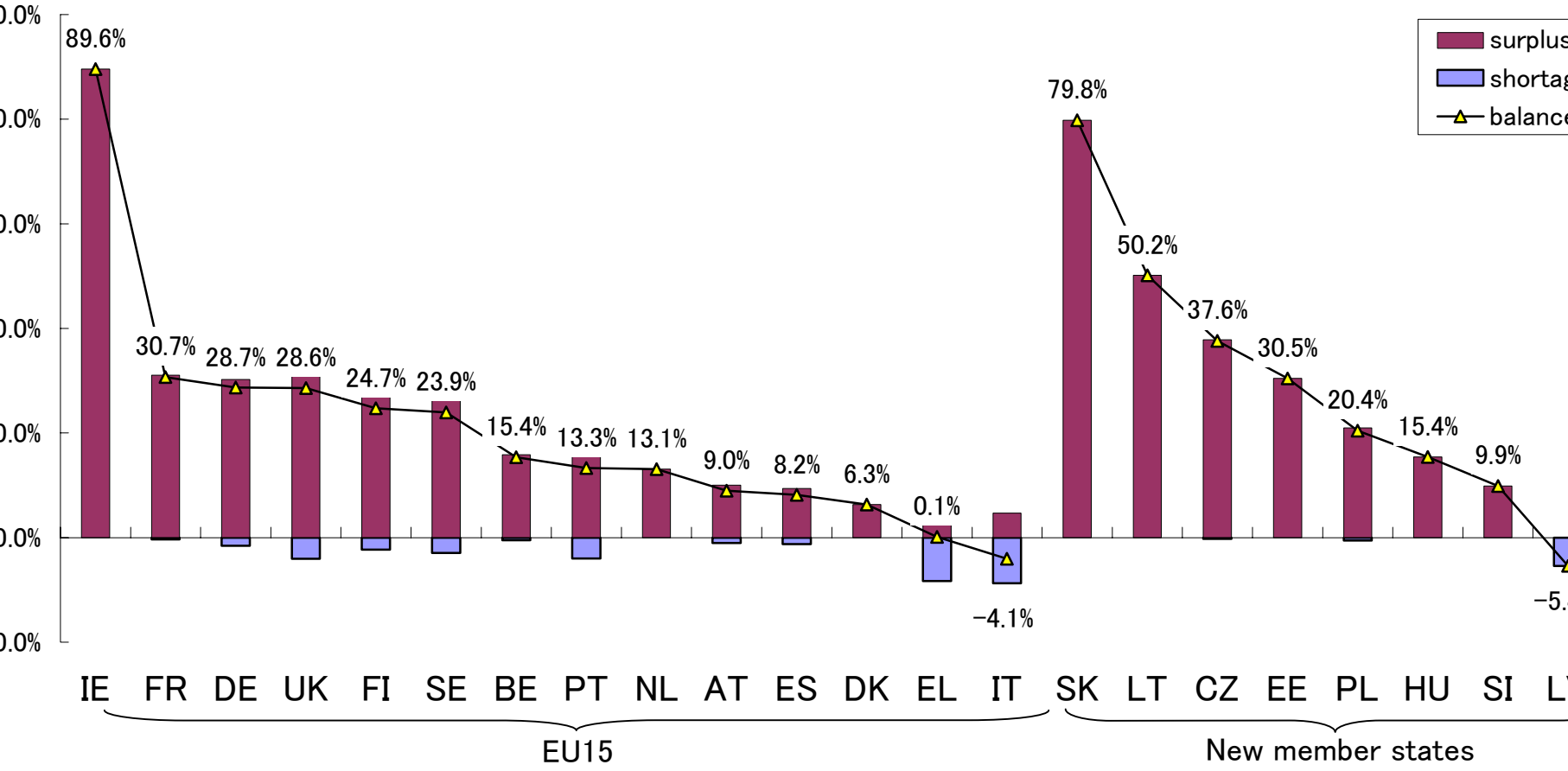
The balance of the ceramics category in 2005 – the ratio

- This figure shows the surpluses, shortages and balances of the ceramics category by countries. The balances are almost always positive. The columns of Italy and Greece have grown upward and downward. This implies a big difference in those countries.



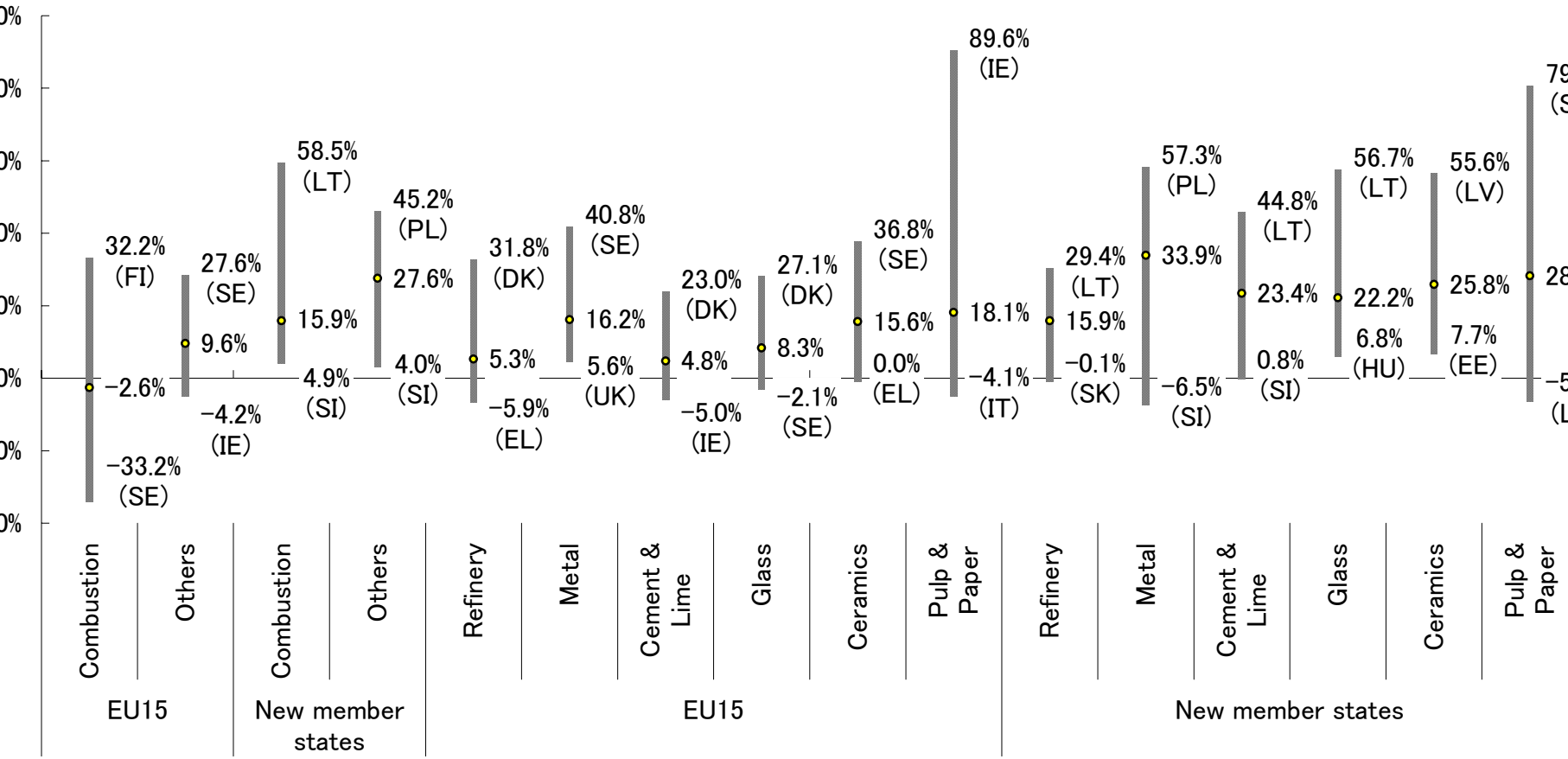
The balance of the pulp and paper category in 2005 – the ratio

- This figure shows the surpluses, shortages and balances of the pulp and paper category by countries. The balances are almost always positive. The degree of the highest surplus in both EU15 and the new member states is the reason that this category has the biggest difference



The range of the balances – the ratio

- This figure shows the highest, the average and the lowest balances in EU15 and the new member states by categories. The widest range is the pulp & paper category in both EU15 and new member states.



Position of the companies with the largest allowances

- This table shows the position of companies with the largest allowances. The difference between top and bottom in this group is 50.3%. The largest shortage is 8.4 million tons. If the carbon price is 10 EUR per ton, the monetary amount is 84 million EUR.

untry	Company Name	Sector	Combustion			Other			Total			
			EUA (mill. tons)	Emission (mill. tons)	Balance (mill. tons)	EUA (mill. tons)	Emission (mill. tons)	Balance (mill. tons)	EUA (mill. tons)	Emission (mill. tons)	Balance (mill. tons)	(%)
DE	RWE Power AG	Power	109.17	108.57	0.60	0.00	0.00	0.00	109.17	108.57	0.60	
DE	Vattenfall Europe Generation AG & Co.	Power	66.20	64.88	1.32	0.00	0.00	0.00	66.20	64.88	1.32	
IT	ENEL	Power	48.23	56.18	−7.95	0.00	0.00	0.00	48.23	56.18	−7.95	−1
CZ	ČEZ, a. s.	Power	36.87	32.75	4.12	0.00	0.00	0.00	36.87	32.75	4.12	1
DE	E.ON Kraftwerke GmbH	Power	34.63	36.48	−1.85	0.00	0.00	0.00	34.63	36.48	−1.85	−5
ES	Endesa Generación, S.A.	Power	31.42	39.76	−8.34	0.00	0.00	0.00	31.42	39.76	−8.34	−2
FR	Arcelor	Steel	0.19	0.12	0.07	26.00	24.38	1.62	26.19	24.50	1.69	
FR	EDF	Power	0.00	0.00	0.00	23.54	22.37	1.17	23.54	22.37	1.17	5
IT	ENI	Gas & Oil	14.18	14.63	−0.46	8.22	8.08	0.13	22.39	22.72	−0.32	−
PL	Południowy Koncern Energetyczny S.A.	Power	21.15	19.24	1.91	0.00	0.00	0.00	21.15	19.24	1.91	9
UK	E.ON UK	Power	20.45	25.57	−5.13	0.00	0.00	0.00	20.45	25.57	−5.13	−2
UK	CORUS UK	Steel	0.11	0.07	0.03	20.01	18.86	1.15	20.12	18.93	1.19	5
IT	Edison Spa	Power	18.05	19.45	−1.40	0.35	0.42	−0.07	18.40	19.87	−1.47	−8
UK	Scottish and Southern Energy	Power	16.62	22.93	−6.31	0.00	0.00	0.00	16.62	22.93	−6.31	−3
DE	ThyssenKrupp Stahl AG	Steel	8.92	6.25	2.67	7.14	7.83	−0.69	16.06	14.08	1.98	1

Position of the companies with the largest allowances in the combustion category

This table shows the position of the companies with largest allowances in the combustion category. All of them are power companies. The balances of the power companies in the UK are negative. They had huge costs if they bought allowances. However, they had record profits because of the high electricity price.

untry	Company Name	Sector	Combustion			Other			Total			
			EUA	Emission	Balance	EUA	Emission	Balance	EUA	Emission	Balance	
			(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(%)
	RWE Power AG	Power	109.17	108.57	0.60	0.00	0.00	0.00	109.17	108.57	0.60	
	Vattenfall Europe Generation AG & Co.	Power	66.20	64.88	1.32	0.00	0.00	0.00	66.20	64.88	1.32	
	ENEL	Power	48.23	56.18	−7.95	0.00	0.00	0.00	48.23	56.18	−7.95	−1
	ČEZ, a. s.	Power	36.87	32.75	4.12	0.00	0.00	0.00	36.87	32.75	4.12	1
	E.ON Kraftwerke GmbH	Power	34.63	36.48	−1.85	0.00	0.00	0.00	34.63	36.48	−1.85	−
	Endesa Generación, S.A.	Power	31.42	39.76	−8.34	0.00	0.00	0.00	31.42	39.76	−8.34	−2
	Południowy Koncern Energetyczny S.A.	Power	21.15	19.24	1.91	0.00	0.00	0.00	21.15	19.24	1.91	
	E.ON UK	Power	20.45	25.57	−5.13	0.00	0.00	0.00	20.45	25.57	−5.13	−2
	Edison Spa	Power	18.05	19.45	−1.40	0.35	0.42	−0.07	18.40	19.87	−1.47	−
	Scottish and Southern Energy	Power	16.62	22.93	−6.31	0.00	0.00	0.00	16.62	22.93	−6.31	−3

Position of the companies with the largest allowances in the refinery category

- This table shows the position of the companies with the largest allowances in the refinery category. The difference between top and bottom in this group is 26.3%.

untry	Company Name	Refineries			Combustion			Other			total			
		EUA	Emission	Balance	EUA	Emission	Balance	EUA	Emission	Gap	EUA	Emission	Balance	
		(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(%)
	TOTAL FRANCE	10.07	9.13	0.93	0.00	0.00	0.00	0.00	0.00	0.00	10.07	9.13	0.93	9.3
	Eni	8.22	8.08	0.13	14.18	14.63	−0.46	0.00	0.00	0.00	22.39	22.72	−0.32	−1.4
	Repsol Petróleo, s.a.	7.83	8.13	−0.30	0.00	0.00	0.00	0.00	0.00	0.00	7.83	8.13	−0.30	−3.8
	Shell Netherlands	6.63	5.77	0.86	0.00	0.00	0.00	0.00	0.00	0.00	6.63	5.77	0.86	13.0
	Shell Deutschland Oil GmbH	6.50	6.43	0.07	0.49	0.49	0.00	0.00	0.00	0.00	6.98	6.91	0.07	1.0
	Saras	6.16	6.27	−0.11	0.00	0.00	0.00	0.00	0.00	0.00	6.16	6.27	−0.11	−1.7
	RUHR OEL GmbH	4.69	4.89	−0.20	0.16	0.16	0.01	0.00	0.00	0.00	4.85	5.04	−0.19	−4.0
	PCK Raffinerie GmbH	4.24	4.39	−0.15	0.00	0.00	0.00	0.00	0.00	0.00	4.24	4.39	−0.15	−3.4
	Exxon Mobile FR	3.97	3.70	0.27	0.59	0.58	0.01	0.00	0.00	0.00	4.56	4.28	0.28	6.1
	Total Belgium	3.97	3.09	0.88	0.00	0.00	0.00	0.00	0.00	0.00	3.97	3.09	0.88	22.3

Position of the companies with the largest allowances in the iron & steel category

- This table shows the position of the companies with the largest allowances in the iron & steel category. Most of their installations in the iron & steel category have a positive balance although the 2005 was a good year for them.

Country	Company Name	Iron & Steel			Combustion			Other			total			
		EUA	Emission	Balance	EUA	Emission	Balance	EUA	Emission	Balance	EUA	Emission	Balance	
		(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(%
R	Arcelor FR	26.00	24.38	1.62	0.19	0.12	0.07	0.00	0.00	0.00	26.19	24.50	1.69	
L	MITTAL STEEL POLAND SA	12.54	4.88	7.66	1.69	1.87	−0.18	0.47	0.17	0.30	14.70	6.92	7.78	5
	RIVA	11.52	11.46	0.06	0.03	0.03	0.00	0.02	0.03	0.00	11.57	11.51	0.06	
L	Corus NL	10.35	6.44	3.91	0.00	0.00	0.00	0.00	0.00	0.00	10.35	6.44	3.91	3
K	U.S. Steel Košice	9.55	9.06	0.49	0.00	0.00	0.00	0.00	0.00	0.00	9.55	9.06	0.49	
E	Arcelor Gent	9.36	4.90	4.46	0.00	0.00	0.00	0.00	0.00	0.00	9.36	4.90	4.46	4
S	Aceralia Corporación Siderúrgica, S.A.	8.84	5.54	3.30	0.00	0.00	0.00	0.00	0.00	0.00	8.84	5.54	3.30	3
E	Salzgitter Flachstahl GmbH	7.38	6.70	0.68	0.00	0.00	0.00	0.00	0.00	0.00	7.38	6.70	0.68	
E	ThyssenKrupp Stahl	7.14	7.83	−0.69	8.92	6.25	2.67	0.00	0.00	0.00	16.06	14.08	1.98	1
K	CORUS UK	6.35	6.38	−0.03	0.11	0.07	0.03	13.66	12.48	1.19	20.12	18.93	1.19	

Position of the companies with the largest allowances in the cement & lime category

- This table shows the position of the companies with the largest allowances in the cement & lime category. The difference between top and bottom in this group is 30.1%. The installations with the highest and lowest balances are both located in Greece.

Country	Company Name	Cement & Lime			Combustion			Other			total			
		EUA	Emission	Balance	EUA	Emission	Balance	EUA	Emission	Balance	EUA	Emission	Balance	
		(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(mill. tons)	(%
-	Italcementi Group	7.68	8.25	−0.57	0.00	0.00	0.00	0.00	0.00	0.00	7.68	8.25	−0.57	-
S	Cemex España S.A.	7.06	6.90	0.16	0.00	0.00	0.00	0.00	0.00	0.00	7.06	6.90	0.16	
R	Lafarge	5.38	5.40	−0.02	0.00	0.00	0.00	0.00	0.00	0.00	5.38	5.40	−0.02	-
L	Heracles (Lagarge)	5.33	6.07	−0.74	0.00	0.00	0.00	0.00	0.00	0.00	5.33	6.07	−0.74	−1
L	Titan	5.20	4.36	0.84	0.00	0.00	0.00	0.00	0.00	0.00	5.20	4.36	0.84	1
-	Buzzi Unicem	5.16	5.19	−0.04	0.00	0.00	0.00	0.00	0.00	0.00	5.16	5.19	−0.04	-
S	Cementos Portland Valderrivas, S.A.	4.32	4.32	0.01	0.00	0.00	0.00	0.00	0.00	0.00	4.32	4.32	0.01	
-	Financo Group	4.23	4.62	−0.39	0.00	0.00	0.00	0.00	0.00	0.00	4.23	4.62	−0.39	-
R	Ciments Français (Italcementi)	4.14	4.18	−0.05	0.00	0.00	0.00	0.00	0.00	0.00	4.14	4.18	−0.05	-
T	CIMPOR – Indústria de Cimentos, S.A.	4.02	4.11	−0.09	0.00	0.00	0.00	0.00	0.00	0.00	4.02	4.11	−0.09	-

Japanese Companies under the EU-ETS

- The number of Japanese companies that come under these regulations is around 15 - 20 companies.
- Energy intensive factories are only a small portion of the total number of factories that Japanese companies have invested in.
- Mainly, these belong to the chemical industry, the automobile industry and the paper industry.
- Large emitters reported approx. 100,000 tons per year. Main emitters reported 30,000 – 50,000 tons per year. Small emitters reported approx. 10,000 tons per year. However, this is not an over-large number.
- In addition, two big glass manufacturing companies (the Glaverbel group and the Pilkington group) are owned by Japanese glass manufacturing companies.

Comments from Companies under the EU-ETS (1)

- Their surpluses and shortages are considerably small in comparison to their various turnovers. If the price of carbon is 30 EUR per ton and their surplus or shortage are similar, then the influence on their management is negligible.

- Ancillary costs, for example, on the reporting of verified emissions are between 1,000 and 10,000 EUR, which are also negligible.

- A company that emitted approx. 10,000 tons in 2005 complains about feeling inequiy, because, to comply with the regulations, their internal costs are the same no matter whether the emissions are 10,000 tons or 500,000 tons.

- If the total carbon cost should exceed 100,000 EUR, they would consider this cost carefully. If the cost should exceed 1 million EUR, they would then seriously consider this matter.

Comments from Companies under the EU-ETS (2)

- In Phase 1, their normal operations have not changed in accordance with the EU-ETS. However, one of the companies thinks positively about the EU-ETS, seeing it as an opportunity to become aware of the importance of energy efficiency and the environment.

- When companies consider new investments, they take into account the carbon costs as part of the energy costs. Although this new factor is taken into account, the general opinion is that carbon costs do not actually influence investment decisions, because the monetary impact is small at present.

Comments from Companies under the EU-ETS (3)

- Most of the companies interviewed agreed with the concept of learning by doing. A few companies complained that the drafts of NAP2 are not improved by the lesson of Phase 1. However, to wait until 2013 would definitely be too slow according to private companies.

- A few companies expressed inequity and inadequacy of the allocation methods, although their position in 2005 was positive.

- A growing company worries about the disadvantages it may suffer as a result of its growth. This concern points out implicitly that an income transfer from a growing company to a declining company is a market distortion if eco-efficiency is not taken into consideration.

Conclusions (1)

- The current EU-ETS is not a coherent scheme. There are 25 emission trading schemes in Europe. This difference among the countries causes market distortions.

- Although the European Commission is trying to remove some causes of distortions during the procedure of NAP2, it will not be easily solved.

- Problems with the allocation methods causes distortions not only across boarders but also in the same country. To remove inequity between a growing company and a declining company is also difficult when the absolute cap is used.

Conclusions (2)

- The Japanese companies that have installations under the regulation are less carbon intensive than power companies. Thus, their normal operations and investment decisions are not significantly affected by the scheme.

- This means the current EU-ETS does not create real reductions except for decrease of productions in accordance with conditions and/or competitions in their product markets, at least concerning the companies interviewed.

- Most of the Japanese companies that started later in Europe are expanding their capacity, contributing to the economy and the employment. They have disadvantages from the scheme, especially from grandfathering. The EU-ETS should not be a obstacle to grow in the market and to retire from the market if it is no matter of eco-efficiency.

Thank you very much for your attention !

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