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CARBON FAT CATS COULD MAKE 5.6 BN EUROS FROM CLIMATE POLICY THEY OPPOSE

Big polluters set to gain billions from pollution controls that they claim are damaging their business. Findings further isolate voices opposing stronger policies to support green growth.

New research by Sandbag Climate Campaign has revealed the top ten companies profiting from Europe's Emissions Trading Scheme (ETS), all of whom are prominent members of trade associations actively lobbying to prevent the system from being reformed. [1]

The Carbon Fat Cats, all of them steel and cement companies, share between them surplus carbon permits (EUAs) of 240 million tonnes – more than the annual carbon emissions of Austria, Denmark, Portugal and Latvia combined. [2]

Valued at 4.1 billion Euros, this windfall of free permits from 2008-2010 is worth over four times the entire EU environment budget over the same period. The surplus could grow further to a value of over 5.6 billion Euros by the end of 2012. [3]

Rank	Company	Current Surplus (Million EUAs)	Value (€m)
1	ArcelorMittal	97.2	1,656
2	Lafarge	29.4	501
3	Tata Steel	23.1	393
4	ThyssenKrupp	19.9	339
5	Riva Group	16.6	283
6	Cemex	12.7	217
7	Holcim	12.5	213
8	Heidelberg Cement	12.5	216
9	Italcementi	8.9	151
10	Salzgitter	7.5	129
	TOTAL	**240.3**	**4,093**

This huge oversupply of permits is threatening to undermine the Emissions Trading Scheme, Europe's central tool to cut pollution, which gives carbon emissions a price and helps to incentivise investment in low-carbon technology.

A growing number of progressive businesses are calling for action to strengthen Europe's climate ambition and reform the ETS. In the past week:

- Five energy companies, including Scottish and Southern Energy, have called for urgent reforms to the ETS to reduce the oversupply of permits, in order to protect the economic incentive to invest in clean energy. [4]
- Over seventy leading businesses - including Google, Unilever, Aviva, Vodafone - have signed a declaration stating that 'Increasing Europe's climate ambition will be good for the EU economy and jobs' [5]

However a few energy intensive industries oppose this and the trade associations our Carbon Fat Cats belong too are some of the most vociferous opponents to progress. [6]

Sandbag's research undermines assertions from industry associations and companies that they are suffering financially from the ETS. [7]

Claims that they are fearful of loosing business to foreign competitors [8] are also called into question: four of the companies have chosen to pay competing industries for emissions reductions rather than reduce their own. [9]

- Tata Steel spent an estimate 1 million Euros funding energy efficiency improvements at Ukranian steel mill
- Thyssenkrupp spent an estimated 5.1 million Euros on reductions at a steel works in China and India
- Italian cement company Italcementi spent nearly 500,000 Euros funding energy efficiency improvements carried out by Conch Cement Company in China
- Salzgitter spend an estimated 500,000 Euros funding energy efficiency improvements at a steel works in India

Purchasing carbon offsets from foreign competitors would not seem to be the actions of businesses genuinely concerned that the ETS will drive business abroad.

"More and more businesses see that Europe's future lies in a highly efficient economy with low pollution, and they are demanding reform of the Emissions Trading Scheme as essential to help them get there." Said Baroness Worthington, Sandbag's Founding Director. "A small group of Carbon Fat Cat companies are trying to stop this, in spite of potentially making billions from a windfall of free pollution permits."

She added "With billions of Euros of spare carbon permits it's no wonder that the Carbon Fat Cats oppose reform of the ETS, but without action this central tool to direct investment into clean energy will be undermined."

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Download 'Carbon Fatcats 2011' and browse **interactive map** at: **www.carbonfatcats.eu**

Additional notes:

The Sandbag Climate Campaign is the NGO leading in research-led campaigning for effective emissions trading. Through expert analysis, hard hitting reports and targeted advocacy we aim to shine a light on what's working and what's not and campaign for changes that could save billions of tonnes of carbon emissions.

[1] All the Fat Cats are members of one or more of the European Confederation of Iron and Steel Industries (EUROFER), CEMBUREAU or the Alliance of Energy Intensive Industries. These all oppose action to increase Europe's climate targets, which would help to deal with the surplus of allowances in the ETS. EUROFER has announced that it is taking the European Commission to court to secure a greater number of free allowances in the next trading period of the ETS, beginning in 2013. http://www.cembureau.be/newsroom/article/steel-sector-threatens-take-commission-court-over-ets-benchmarks

[2] Taken from the EU Greenhouse Gas Inventory. Latest data is for 2008. Austria (87M) + Denmark (64M) + Portugal (78M) + Latvia (12M) = 241M tonnes CO2e.

[3]Estimations of EUA surplus value based on a market price of €17.03 per EUA, as of 6/5/2011. EU budget comparison Environment Budgetary Allocations for the years 2008, 2009 and 2010, (payments total outturns), totalled €880m. Taken from annual reports on EU budget, (http://ec.europa.eu/budget/figures/2010/2010_en.cfm)

[4] Energy companies Tues June 14th 2011, Reuters, 'Energy firms fear "tremendous decline" in CO2 price'. Energy Utilities were SSE, Eneco, Dong Energy, Public Power Corporation of Greece and Sorgenia

[5] http://www.wwf.eu/?200650/72-leading-companies-call-for-increase-in-EU-climate-ambition-to-boost-EU-economy-and-jobs

[6] Releases/EUROFER-EU-Low-Carbon-Roadmap-2050-unacceptable). Eurofer, 25 February 2011.

[7]There are a number of ways companies can make money from their surplus permits: they can sell them; they can pass on the cost to customers even though they received them for free; they can loan them for a fee to banks and brokers to be used in speculative trading. These extra sources of revenue mean that actual financial benefit could be higher than our estimates, which are based solely on market value of the surplus at time of publication.

[8] CEMBUREAU: "carbon leakage is a reality and leads to job, investment and growth losses in Europe and to substantial off shoring of carbon emission". See: http://www.greenpeace.org/eu-unit/Global/eu-unit/reports-briefings/2011%20pubs/5/CO2UnreallisticMarch11.pdf

[9] For full details see Carbon Fat Cats 2011, page 23.