Summary chapter "Industry" of the climate agreement draft proposal dated 28.06.2019

Status: The Climate Agreement was presented on Friday 28 June by the Minister of Economic Affairs as a decision on behalf of the government. It is therefore a political agreement and not a widely supported social agreement. The negotiating parties, both industry - through trade associations - and the environmental movement, will therefore not sign the *agreement*. The agreement can therefore be better considered as a proposal for legislation to be formulated. After the summer break, various elements of the agreement will be further elaborated in a legislative process, in which industry will also be closely involved through sector organisations.

Elements of the agreement

Purpose
The climate agreement focuses on the intermediate target of -49% greenhouse gas reduction in 2030 compared to 1990. A sector target of an indicative 19.4 MT reduction (of which 5.1 MT from existing policy) has been set for industry.

Innovation
The government invests € 60 annually, increasing to € 100 million in 2023, in climate innovation in the industry through so-called multi-year mission-driven innovation programs (MMIPs). The business community invests the same amount.

Standardisation
The obligation to take energy-saving measures with a payback period of 5 years or less under the Environmental Management Act will be converted into an obligation to take CO_2 reducing measures.

CO_2 tax on avoidable emissions
There will be a national CO_2 tax with an initial tax rate of € 30 / t CO_2 increasing to € 125-150/tCO_2 in 2030 (including the ETS carbon price).[1] PBL will be asked to recalculate the “required” carbon tax in 2020 and 2025. The tax will apply to "avoidable" emissions. The 14.3 MT is assumed to be avoidable. The remaining emissions are exempt from the CO_2 tax. When determining the tax-free rate for individual companies, the ETS benchmark system will be used. The tax provides for the possibility of transferring the tax-free allowance (*heffingsvrije ruimte*) between companies. The Netherlands Emissions authority (NEa) is responsible for the execution of the carbon tax.

Note: The CO_2 in particular requires much further elaboration after the summer break. This is also explicitly mentioned in the agreement.

Infrastructure
The agreement recognizes that infrastructure is necessary to be able to invest in reduction measures. The government is setting up a task force that will report in 2019 on the infrastructure required for the transition.

The SDE++ subsidy programme.
The SDE++ focuses on cost-efficient CO_2 reduction measures in industry. An indicative amount increasing to 550 million per year in 2030 is available. The programme is open to all companies – initially a limited number of technologies are eligible.

[1] Note: The tax rate is determined by PBL on the basis of an analysis which does not model the interaction between SDE++ and the tax rate. It is expected that the final determination of the tax rate in 2020 will lead to a much milder rate (“a few tens” euro’s).

In principle, the SDE ++ is technology neutral. An indicative cap limit has been set for CCS of 7.2 MT in 2030 (excluding 3 MT for electricity table, i.e. blast furnace power stations).

The SDE ++ is financed from the surcharge renewable energy (*opslag duurzame energie (ODE)*). There will be a shift in industry's share of ODE contribution from 1/2 to 2/3. This additional contribution will be collected from the large energy consumers (i.e. 3rd and 4th energy tax bracket).

Production growth is accommodated.
By focusing on an indicative reduction task, there is room for future-proof sustainable expansion investments and newcomers. The resources initially available are linked to the initial task. If the task changes due to growth or shrinkage, the resources will have to be adjusted accordingly. Obviously, newcomers fall under the same regime.

Financial resources to compensate for carbon leakage
€ 125 million will be made available in the coming period to prevent negative employment effects for industrially healthy companies. The instruments and monitoring must be further elaborated. These funds can also be used to compensate for termination of the existing indirect ETS cost compensation deal.