CONSENSUS PAPER

ON THE DIALOGUE BETWEEN WWF AT, GREENPEACE AT, GLOBAL 2000 (FRIENDS OF THE EARTH AT), EEÖ AND VOESTALPINE

2017
PREAMBLE

voestalpine has entered into dialogue with the environmental protection organisations WWF Austria, Greenpeace Austria and GLOBAL 2000 (Friends of the Earth AT), together with the Austrian renewable energy umbrella association EEÖ, on the long-term direction of Austrian energy and climate policy. This consensus paper has been drawn up with the involvement of the Federal Environment Agency (UBA) which agrees with its content and supports the approach.

Following this consensus paper, voestalpine, environmental organisations and the EEÖ avow to continue their dialogue. Despite potentially divergent interests, this dialogue is designed to generate mutual understanding and awareness, and ultimately to develop long-term solutions to the conflicting priorities of ecology and industry.

The specific objective of the current discussions (from 2016 onwards) is to describe joint positions which should be included in Austria’s “integrated energy and climate strategy”, and subsequently the European Energy Union. They concern the framework conditions required to effectively facilitate complete decarbonisation of the economy in the general ecological interest, and to guarantee the competitiveness of the voestalpine Group during this transition process, a factor vital from the company perspective.

Consequently, in order to ensure a constructive approach the following topics have been deliberately excluded from this paper: those for which there is currently no agreement on specific approaches, and those which are viewed differently by each partner in the discussion according to their particular standpoint. However, neither calls into question the fundamental goal of constructively supporting complete decarbonisation of the economy. These aspects will be clarified by each of the dialogue partners in the form of separate supplements.

The points of consensus should be understood as a unitary text and a shared viewpoint, and may not be interpreted selectively, or in excerpts, contrary to the overall context.
CONSENSUS ON ENERGY AND CLIMATE POLICY

The dialogue partners are in fundamental agreement on the following points:

1. Climate protection is a top priority for society and the economy

Climate change is a global challenge. Both the United Nations and the European Union have set climate and energy policy goals as a means of achieving targeted and sustained reductions in greenhouse gas emissions, even eliminating them completely over the long term. This scope must also be considered in Austria’s energy and climate strategy whose goal has to be the almost total decarbonisation of the economy by 2050. This applies in particular to the entire energy supply system, including imports, which has, as a precondition, to change much faster.

2. Energy and climate policy is an important factor in environmental, economic and location policy

As a leading industrial enterprise, voestalpine should retain its presence in Austria. Consequently, there should be support for securing and expanding its Austrian sites. It is the net effect of all site factors which is decisive for a company’s competitiveness, and not simply the costs of energy and CO2.

The solution to the conflicting aims of a fully decarbonised economy by 2050 on the one hand, and economic, social, budgetary and industrial factors on the other, must take the form of a comprehensive, national, integrated energy and climate strategy, one which is promoted by Austrian politics, also at EU level.

It is the task of politics to develop the specific scenarios, mechanisms, instruments and systems of incentives which will make it possible to actually implement the goals which to date have been exclusively quantitative (reducing emissions, saving energy, boosting the share of renewables).

The necessary timescale for the integrated energy and climate strategy which runs to 2030, and ultimately to 2050, harbours a high degree of uncertainty in terms of the actual development of key parameters compared to the scenarios assumed at present. These parameters include energy demand, energy prices, prices for raw materials, CO2 costs, economic growth, climate-related damage and its economic impact, technological developments, political developments in the EU and globally.

Therefore, in developing an integrated energy and climate strategy in Austria and adopting this strategy at EU level it is essential to arrive at a consensus regarding the scenarios which, from today’s perspective, appear realistic and durable.

In addition to transforming fossil fuel-based energy supply systems, an integrated energy and climate strategy should also involve all sectors, particularly energy efficiency and the potential to reduce CO2 emissions in production along the entire value chain, as well as buildings and transport. Accordingly, the provision of energy and
mobility services should be provided with highest efficiency and involve minimal impact on the environment so as to create the foundations for a successful transition.

An efficiency- and innovation-based approach should be taken to all decisions relating to the long-term, complete decarbonisation of the energy system, finally resulting in an energy supply system based entirely on renewables.

A long-term energy and climate policy requires broad social acceptance. This necessitates open, transparent and objective information and discussions of climate science findings, defined goals and measures, the sharing of burdens in financing, as well as impacts and risks. At the same time, reservations about individual sustainable and innovative technologies based on renewables such as hydrogen need to be addressed. Temporary solutions such as the use of natural gas are also interim steps on the path to decarbonisation.

A long-term, binding legal framework must also quickly create clarity for investment decisions. Different transition speeds and investment cycles in the various sectors must be taken into account when defining specific strategies.

3. In addition to national strategies, a European, if not global, framework is necessary

Aside from national strategies, energy and climate policies need to be integrated into the European (Energy Union) and, in the long term, global context as far as possible; the Paris Agreement is an important first step towards a fair, comparable, and thus effective global climate protection framework. The partners to the dialogue will make every effort within their means to drive forward implementation of the Paris Agreement, ideally globally. In this they expect support from Austrian politics and advocacy groups for employer, employee and environmental interests.

National solutions incorporated into the energy and climate strategy, such as those on financing mechanisms and systems of incentives, etc., must unequivocally comply with EU law in order to provide stakeholders with the appropriate legal certainty (i.e. from any repeals).

Last but not least, Austrian industrial enterprises can only be guaranteed a fair competitive situation when these solutions closely reflect the European and global framework.

Austria must develop its specific strategies for the long-term energy and climate policy in a timely manner, and strongly urge their incorporation in the EU decision-making process in order to ensure conformity with the goals of the EU Energy Union and the European energy system.

Specific (i.e. with detailed time horizons and content) goals, strategies, roadmaps and instruments for the energy transition, for investments, and for innovations, are needed both at national level and in a European context.
4. Energy savings and the provision of renewable energies are key issues in the transition

Within the framework of the integrated energy and climate strategy, politics must work together with stakeholders and market players to develop comprehensive, specific, technically and financially realistic scenarios both for saving energy and for achieving the target of 100% renewable energy in Austria.

Sufficient energy availability is the key prerequisite in making the transition pathway viable for those industries affected.

The transition to a zero-emissions economy is a gradual process, and ultimately geared towards total decarbonisation across all sectors; an energy and climate strategy must create the framework conditions which enable the renewable energy required by each specific sector and for each individual step in the transition process to be supplied in the required quantity, at competitive prices, and with the highest level of supply reliability. CO2-free steel production is contingent upon sufficient availability of electricity generated from renewable sources. This requires a reinforced development of green electricity in Austria and the EU, with the target of 100% green electricity supply.

According to current calculations, with complete decarbonisation the voestalpine steel production sites in Linz and Donawitz alone require over 33 TWh of renewable electricity in order to replace the current fossil fuel-based energy cycle. This demand must be taken into account in the specific expansion scenarios included in the integrated energy and climate strategy.

This also applies for the transition of the EU steel industry as a whole. Its requirements—depending upon the applied technology—have not been sufficiently mapped in any scenario to date. An EU-wide energy strategy must involve the appropriate expansion of renewables in order to secure these capacities.

5. The financing, technical feasibility and economic viability of industrial transition pathways must be assured

Politics must work together with the relevant players and stakeholders to swiftly develop strategies for financing, sharing the burdens and revenues (“In the end, who pays for the energy transition, and who profits from it?”) and systems of incentives to drive the transition. The required measures, instruments and financial resources, including infrastructure, expansion of renewables, and new technologies, must be determined and implemented, based on a set transition roadmap. Efficient and effective instruments must be used to implement the energy and climate strategy, particularly for its goals of reducing greenhouse gas emissions and developing renewable energy sources.

Experience to date has demonstrated that the EU Emissions Trading System in its current form is seen ineffective as an incentive and control instrument for investments in the transition.
As the voestalpine example demonstrates, this system goes so far as to remove financial resources needed to develop decarbonisation measures, and leads to unequal treatment between EU and non-EU companies, even within individual industries (e.g. steel).

Besides having a steering effect for decarbonisation, the impact of new and alternative systems of incentives and financing must at least be revenue neutral for the affected sectors. This means there must be no deterioration in the resulting net effect on location-related costs for the primary producing industries in Austria. Checks must be made in advance to ensure that any funding or relief measures comply with EU law. Possible instruments include, for example, CO2 pricing and the sector neutral repayment of funds, European innovation funds, reductions in non-wage labour costs, an Austrian innovation fund for the promotion of CO2-reducing technologies, and statutory European and global legal thresholds. Important measures include utilizing the potential of waste heat and surplus electricity, so that where there is grid congestion or lower demand, excess electricity is supplied to industry at cheap rates or used in hydrogen production, rather than throttling back wind power and photovoltaics. More scientific studies on the selection and design of such instruments and measures are needed.

A change of steel production technology, that is from the existing blast furnace route to CO2-reducing and eventually CO2-free alternatives (e.g. use of natural gas/hydrogen), must not only be technologically feasible but also economically viable.

CONCLUDING REMARKS

Apart from the topics specific to voestalpine, it just remains to say that the transition process at national and European level can only succeed where there is a comprehensive solution involving all sectors and stakeholders. The results of the voestalpine dialogue with environmental organisations and the EEÖ are intended to be thought-provoking and to contribute to raising awareness in the political and public consciousness. They should by no means be misunderstood as special pleading for individual industries or even companies.
Queries and further information

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