Carbon leakage and competitiveness issues:
How international companies manage competition with carbon pricing

Norsk Hydro Ltd

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A resource-rich, global aluminium company

Robust positions along the entire value chain

Carbon Leakage and competitive issues

If carbon costs are not reflected in prices of global products, industries exposed to front-running climate policy regulations are ultimately exposed to the risk of carbon leakage until comparable measures are in place in all competing regions.

Carbon leakage might lead to:
Risk of production closure,
substitution with similar products leading to higher global emissions,
investment leakage and
hindering of technological development

Compensation in EU is needed due to their front-running climate policies

- *The reasons Norsk Hydro is affected by the EU ETS are:*

  a) that we emit carbon in the production processes,

  b) that power prices increase considerable due to CO2 emission prices

  c) power costs are a large part of our production costs,

  d) the primary aluminum production is capital intensive,

  e) aluminum have no ability to transfer the carbon costs increase to the end-users of their products and

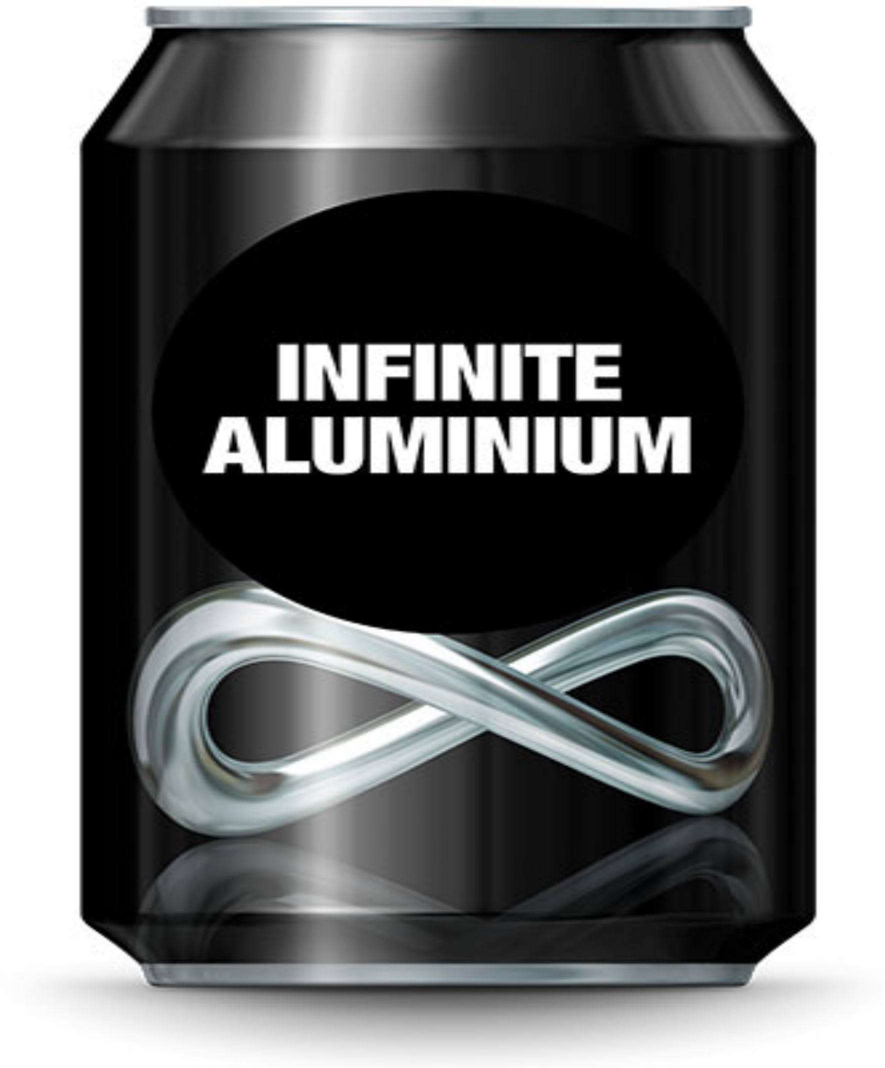
  f) we are exposed to international competition.

Compensation needed reflecting best performance benchmarks
within the carbon leakage exposed sectors,
both with regards to direct emissions efficiency and energy efficient performance standard

HYDRO

Concluding remarks for a global concept:

- Man-made increase in greenhouse gas emissions is a global problem and requires a global solution
- Over time an equal global carbon cost must be reflected in global prices
- Therefore, gradually expanding and linking of national and regional schemes should be our target.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