

BUSINESSEUROPE



THE DIRECTOR GENERAL

Mr Miguel Arias Cañete

Commissioner for Climate Action and Energy
European Commission
Rue de la Loi 200
BE-1049 Brussels
BELGIUM

16 February 2016

Dear Commissioner,

BUSINESSEUROPE comments on the EU ETS reform proposal

BUSINESSEUROPE strongly supports the EU ETS to be the main driver for industry to reduce emissions and to incentivise investments in low carbon technologies. The post-2020 reform is of strategic importance to make the scheme work for all covered industries. Unfortunately, we believe that the European Commission's proposal fails to strike the right balance and, therefore, needs to be substantially amended.

The revision of the EU ETS needs to take into account key international developments like the Paris agreement. While the agreement is a major step forward, it remains unclear whether and how industrial sectors from other major economies, acting on global markets, will embark on comparable emission reduction efforts as the EU industry. This does very little to address our concerns about the preservation of our industries' competitiveness.

Against this background, I am pleased to send you at annex BUSINESSEUROPE comments on the Commission's EU ETS reform proposal. In order to place the debate in context, it first recalls some key data, highlighting what is at stake and clarifying important concepts, before elaborating a number of concrete recommendations to improve the current proposal, in particular:

1. Changing the distribution between auctioning and free allowances in order to secure sufficient free allowances for the future growth of new and most efficient installations, and to avoid the application of the cross-sectoral correction factor;
2. Adjusting better allocation to real industry activity levels to support economic growth and to prevent under or over allocation;
3. Ensuring realistic benchmarks based on bottom-up real installation data taking into account sector-specific characteristics, once at the beginning of the fourth trading period and without a flat rate. Their level of ambition should be in line with technological progress to ensure industry's competitive edge;



4. Getting the carbon leakage list right allowing for flexibility on the qualitative threshold for carbon leakage assessment;
5. Harmonising compensation for indirect costs to ensure an adequate protection of industries at risk of investment leakage;
6. Making the innovation fund fit-for-purpose by improving the eligibility criteria and reducing the financial risk for companies wishing to invest in innovation projects and focusing on the ETS sectors;
7. Simplifying the EU ETS for small emitters.

A balanced revision of the EU ETS, implementing the recommendations above, is the one chance we have to fix the problems for the next decade to come, making sure it contributes to fighting climate change while safeguarding EU industry competitiveness at global level.

I remain at your disposal for a constructive cooperation on these crucial matters.

Yours sincerely,

Markus J. Beyrer