

13 June 2016

Post 2020 ETS reform

Statement in view of the Environment Council on 20 June 2016

As a market-based system, emissions trading has the best potential to reduce greenhouse gas emissions in the lowest-cost way, and to create a market signal to drive low-carbon investment. The undersigned associations support the principles of the EU ETS as the cornerstone mechanism to deliver cost-efficient emission reductions in the EU while at the same time securing a global level playing field for industry.

But, for this to be achievable, we need to ensure that the EU ETS works for every covered sector. We must make sure that the energy-intensive, carbon-intensive and/or trade-exposed industries, operating in a highly competitive global market get the right kind of support to enable them to continue to reduce emissions within the EU. For the power sector, which needs significant levels of investment to secure and decarbonise the electricity supply, we must ensure a carbon price that provides a meaningful signal towards the sector's low carbon investment decisions today and tomorrow.

The post 2020 ETS reform must focus on achieving long-lasting, holistic and effective changes to the system in order to instil confidence in the market. An essential element of the reform is to provide long-term predictability and legal stability to industry and investors, and to avoid the quick-fixes and piecemeal approach we have seen in the recent past.

In this respect, the European Commission's proposal to set, in the ETS Directive itself, the ratio between the shares of allowances for auctioning and those for free allocation is an element of certainty. **However, the rules should ensure the right balance between ensuring liquidity with regard to the available auctioning volumes and providing the necessary volume of free allowances on the level of best performers in order to avoid carbon and investment leakage.**

The undersigned associations are committed to make the reform of the EU ETS a success. But it must be a success for all the covered sectors. As representatives of major industrial sectors, we will remain firm on this point as this will be essential to develop and strengthen the industrial value chain across Europe as well as European industry's international competitiveness.