



EUROPEAN COMMISSION
DIRECTORATE-GENERAL
CLIMATE ACTION

The Director-General

Brussels,

By e-mail only: a.eggert@eurofer.be

Dear Mr Eggert,

Thank you for your letter of 24 June 2015 to President Juncker and of 3 July 2015 to Commissioner Arias Cañete and the College, presenting your position on the revision of the EU Emission Trading System (EU ETS) Directive, on whose behalf I reply.

The Commission adopted on 15 July 2015 its proposal¹ for the revision of the EU ETS Directive, to ensure that the EU ETS remains the most efficient and cost-effective way to cut emissions in the next decade. The basic architecture of the EU ETS will remain in place after 2020, but individual elements will be improved in line with the agreement reached by EU leaders in October 2014.

In particular, the system of free allocation is proposed to be revised with the aim of distributing the available allowances in the most effective and efficient way, minimising the need for a correction factor and ensuring predictability for companies. To this end, the benchmark values will be updated to capture technological progress in the different sectors. The system will also better take into account production increases or decreases and the amount of free allocation will be adjusted accordingly. A specific number of free allowances will be set aside for new and growing installations.

The additional free allocation to protect against carbon leakage will focus on the sectors at highest risk of relocating their production outside the EU. Member States are encouraged to use auction revenue to provide compensation for indirect carbon costs, in line with state aid rules.

In the context of the wider 2030 climate and energy framework, the European Council agreed that the share of allowances to be auctioned under the EU ETS post-2020 should not be reduced. This approach has been embedded in the current proposal.

I would also like to underline that the Commission proposed an Innovation Fund that may be worth over 10 billion euro to support first-of-a-kind investments in renewable energy, carbon capture and storage (CCS) and low-carbon innovation in energy-intensive industry. I am confident that this fund will provide additional support for development of new technologies for energy-intensive sectors, notably steel, in line with their 2050 low-carbon roadmaps.

¹ http://ec.europa.eu/clima/policies/ets/revision/docs/com_2015_337_en.pdf

Axel Eggert
Director General
EUROFER

I use this opportunity to thank you for your valuable contributions to the public consultations and look forward to further exchanges on this issue.

Yours sincerely,

Jos DELBEKE

Copy: College of Commissioners