



12 OCT. 2015

Brussels,
Ares (2015) 2745502

Dear Mr Beyrer,

Thank you for your letter of 26 June 2015, presenting the position of BusinessEurope on the revision of the EU Emission Trading System (EU ETS) Directive. You particularly outline your concerns about the competitiveness of the energy intensive industries linked to the ETS Directive.

The Commission adopted on 15 July 2015 its proposal for the revision of the EU ETS Directive, to ensure that it 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. The proposal follows the strategic guidance by the European Council, which agreed in the wider 2030 climate and energy framework that the share of allowances to be auctioned in the EU ETS post-2020 should not be reduced.

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 so-called 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.

One of the key elements of the proposal is that it includes predictable, robust and fair rules to address the risk of carbon leakage. The Commission carried out an impact assessment accompanying this proposal, analysing the compliance costs and risks for energy-intensive industries exposed to international competition. The additional free allocation to protect against carbon leakage will therefore focus on the sectors at highest risk of relocating their production outside the EU.

./.

*Mr Markus J. BEYRER
Director General
BusinessEurope*

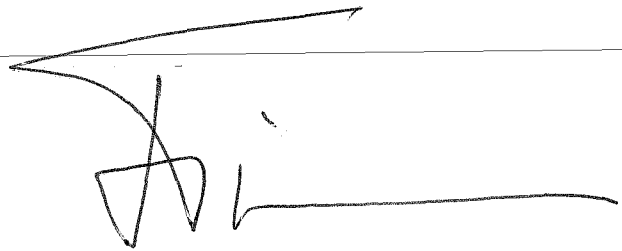
E-mail: mj.grilo@businessseurope.eu

In addition, Member States are encouraged to use auction revenues to provide compensation for indirect carbon costs. Member States will also need to continue to report on the use of these auction revenues, creating transparency and accountability.

I would also like to underline that the Commission proposed an Innovation Fund 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, in line with their 2050 low-carbon roadmaps.

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

Yours sincerely,

A handwritten signature in black ink, consisting of a stylized 'F' and 'T' followed by a horizontal line.

Frans TIMMERMANS