

EUROPEAN COMMISSION

Office of the First Vice-President Mr Frans Timmermans

Head of Cabinet

Brussels, **16 SEP. 2015**
Ares (2015) 2766669

Dear Mr Henrar,

The First Vice-President of the European Commission responsible for Better Regulation, Interinstitutional Relations, Rule of Law and the Charter of Fundamental Rights, Mr Frans Timmermans, has asked me to thank you for your letter of 29 June 2015 presenting your position on the revision of the EU Emission Trading System (EU ETS) Directive.

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 Commission proposed to revise the system of free allocation 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.

../.

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

Mr. Theo HENRAR
CEO
TATA Steel Nederland
E-mail: theo.henrar@tatasteel.com

Commission européenne, B-1049 Bruxelles / Europese Commissie, B-1049 Brussel - Belgium.
Office: BERL 12/211. Phone: direct line (32-2) 55299

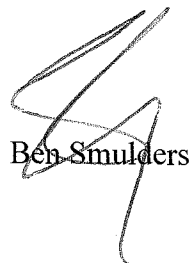
E-mail: bernardus.smulders@ec.europa.eu

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.

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

Yours sincerely,



Ben Smulders