

Ursula Von der Leyen
President of the European Commission
European Commission

CC: Mauro Petriccione, Director General, DG CLIMA, European Commission
Maros Sefcovic, Vice-President for Interinstitutional Relations & Foresight, European Commission, Co-Chair of the EU-UK Joint Committee
[REDACTED], Chair of the EU Environment Council and Minister of Environment & Energy Transition, Portugal
[REDACTED] MEP, Chair, ENVI Committee, European Parliament
[REDACTED] MEP, Chair, EU-UK Coordination Group, European Parliament
Richard Czostak, Principal Adviser, Service for the EU-UK Agreements, European Commission

14th April 2021

THE IMPORTANCE OF LINKING THE EU ETS WITH THE UK ETS AHEAD OF COP26

Dear President Von der Leyen,

On behalf of over 40 leading industries bodies, we urge the EU to start the process of linking the EU Emissions Trading System (EU ETS) with the new UK Emissions Trading System (UK ETS) as soon as practicable. We welcome the commitment to *'serious consideration'* which the UK and EU have given to linking their respective carbon pricing systems in the Trade and Cooperation Agreement (TCA), and believe that linkage negotiations should begin as soon as possible.¹

We believe that an EU ETS linked with the UK strengthens the integrity of, and confidence in, Europe's carbon market. Central to this belief is the principle that all allowances are treated equally, and that they remain fungible between installations and preferably across borders. Linkage will benefit both parties, and allow the EU to reach Net Zero faster and more cost effectively.² The advantages of linkage are clear in terms of liquidity, price discovery, and the ability to attract abatement from across a larger area. It would also create a level playing field in terms of carbon pricing, avoiding competitive distortions, and leading to aligned cost implications for industry across the UK and European Economic Area (EEA). This would be beneficial for international commerce, minimise the risk of carbon leakage, and lower the costs of achieving Net Zero.

Linking the UK and EU ETS ahead of COP 26 would reaffirm the UK and EU as climate leaders, and demonstrate strong advocacy for international carbon markets. A linking agreement between the UK and EU would show commitment to Article 6 of the Paris Agreement during a year in which the EU hopes to help finalise the Article 6 framework as a key outcome of COP 26, thus ensuring that the EU can lead by example in respect to the international climate agenda.

Linkage requires two crucial elements; political will, and alignment on environmental ambition. Given the similarities between the UK and EU's carbon trading regimes, there should be no two Emissions Trading Systems that are easier to link. The European Commission has gained valuable experience through linking the EU ETS and Swiss ETS, and this linkage agreement will be instrumental in providing a broad framework for similar negotiations with the UK.

¹ UK & EU: *"Trade and Cooperation Agreement"* (2020), Article 7.3

² IETA & Carbon Pricing Leadership Coalition: *"The Economic Potential of Article 6 of the Paris Agreement and Implementation Challenges"* (2019)

A linkage between the UK and EU ETS would once again align decarbonisation pathways, create a stable environment for investment into low-carbon alternatives, and show continued European leadership in tackling climate change.

We would be delighted to discuss our views on this issue at more length. We very much look forward to hearing from you.



Confederation of British Industry



British-Irish Chamber of Commerce



Energy UK



Eurelectric



Renewable UK



Renewable Energy Association



Wind Europe



Nuclear Industry Association



Eurogas



Oil & Gas UK



United Kingdom
Petroleum Industry Association
UK Petroleum Industry
Association



The Association for
Decentralised Energy

The Association for Decentralised
Energy



Carbon Capture &
Storage Association

Carbon Capture & Storage
Association



ELECTRICITY
ASSOCIATION
OF IRELAND

Electricity Association of
Ireland



Irish Business & Employers
Confederation



British Glass
British Glass



Chemical Industries
Association



British Ceramic Confederation



The European Ceramic
Industry Association
Cerame Unie – The European
Ceramic Industry Association



Confederation of Paper
Industries



Confederation of European Paper Industries



Eurometaux
European Association of Metals

Eurometaux: The European Association of Metals



Confederation of British Metalforming



European Lime Association



Mineral Products Association

The Trade Association for the Aggregates, Asphalt, Cement, Concrete, Dimension Stone, Lime, Mortar and Silica Sand Industries

Mineral Products Association

techUK

techUK



The Food & Drink Federation



Foodchain & Biomass Renewables Association



Catapult Energy Systems



The Institutional Investors Group on Climate Change

The Institutional Investors Group on Climate Change



Futures Industry Association



International Swaps & Derivatives Association



Association of European Energy Exchanges



European Federation of Energy Traders



International Emissions Trading Association



London Energy Brokers' Association



Global Infrastructure Investor Association



Climate Markets & Investment Association



Aldersgate Group



THE PRINCE OF WALES'S
CORPORATE LEADERS GROUP
The Princes of Wales Corporate Leaders Group



Corporate Leaders Group Europe