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Metsäliitto Cooperative's (Metsä Group) response to the public consultation on structural measures for the EU ETS

The EU ETS is fulfilling its purpose

Metsä Group supports the central role played by the ETS in the EU's climate policy and does not see any reason to intervene or change the already agreed rules of the EU ETS. Furthermore, the intentions to increase carbon price are against the commonly agreed EU climate policies, as the EU is going to achieve its 20 % CO₂ reduction target by 2020.

The market-based instrument was chosen to reduce industrial CO₂ emissions at the lowest cost for society. Also, the EU's multiple overlapping policies, such as renewable energy and energy efficiency, have reduced CO₂ emissions and subsequently, led to a surplus of EUAs. However, the surplus in itself does not justify any intervention in the ETS. The ETS was not designed to keep a certain minimum carbon price, but to achieve commonly agreed CO₂ reduction target. The low carbon price cannot be the reason to re-calibrate the EU ETS.

According to the Commission's statement, the CO₂ emissions have decreased by 18 % already by 2011 compared to 1990 (24 October 2012). This means the EU will deliver the agreed reduction target of -20% by 2020. Besides, it seems the EU is going to go beyond its reduction target through other legislation, such as the Energy Efficiency and RES Directives.

As long as there is no internationally binding agreement on CO₂ reduction target, the EU must not unilaterally tighten its CO₂ reduction target. The EU represents only 11 % of the global greenhouse gas emissions and this share is decreasing. Without the major emitting countries committing to similar targets, the EU's ambitious policy is not viable and will only lead to carbon leakage, be harmful to the environment and weaken the competitiveness European industries.

Furthermore, the Commission cannot set directly or indirectly more ambitious targets or measures without a proper impact assessment on sectors affected, a constructive debate including all stakeholders, and an approval of all Member States. Until there is an extensive internationally binding agreement, the EU needs to prevent carbon leakage and offer free allocation to industry.

Metsä Group does not support short-term measures, such as the ETS “backloading” proposal, as they undermine the regulatory predictability through to 2020 as established under the EU ETS and further weakens global competitiveness of Europe. Equally, all the options proposed within the “Report on the state of the European carbon market in 2012” are only short-term measures that would not provide a comprehensive solution which would stimulate long-term growth and investment in Europe.

The EU needs to focus on growth enhancing measures

The already agreed ETS rules need to be maintained as predictability and credibility are the most important elements in the carbon market like the EU ETS. Political intervention would only create uncertainty and hamper investments and, as its aim would be to increase CO2 price, weaken the competitiveness of the EU’s energy intensive industries.

The industries have been hard hit by the crisis and cannot afford any legislation that would further weaken their competitiveness. Higher carbon price increases the cost for energy to industry and consumers in a time where growth and value creation are needed to tackle the crisis. Also, the relatively high energy prices compared for example with the US have a negative impact especially on the competitiveness of energy intensive industries. Further, the indirect impacts of the possible carbon price increase would be significant.

Instead of intervening in the market-based ETS instrument and unilaterally trying to increase CO2 reduction targets, the EU should focus on global actions to combat global warming. In line with the developments in the international climate policy, the EU should also prepare guidance for potential continuation of the EU ETS beyond 2020.

It is imperative that the EU focuses on growth and prosperity enhancing measures and does not take decisions that weaken the global competitiveness of European industries.

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Metsä Group is a Finnish Forest Industry Company. Our main products are tissue and cooking papers, board and paper, pulp and wood products, but we are also an important producer and consumer of bioenergy. Metsä Group is one of the leaders in bioenergy generation within the industry in Finland. We have systematically increased the share of bioenergy in energy sourcing. More than 80 per cent of fuels used by the Group are wood-based biofuels and 60 per cent of the Group’s own energy need is satisfied with bioenergy.