

European Commission
Directorate-General Climate Action
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RESPONSE TO THE COMMISSION CONSULTATION ON REVIEW OF THE AUCTION TIME PROFILE FOR THE EU EMISSIONS TRADING

The Commission launched a consultation in order to collect views from stakeholders and experts on a draft for a future amendment of the Commission Regulation (EU) No 1031/2010 (Auctioning Regulation). The consultation is on this draft and the amount of auctioned allowances which should be back-loaded, i.e. postponed towards the end of the third emission trading period.

Currently, about 10 000 plants of manufacturing industry and energy providers in the EU are required to buy and sell CO₂ emission allowances that define the total emissions cap for Europe. Since 2008, the spot price for the allowances has gradually fallen to a low of around 7 € per one ton of CO₂. According to the Commission, this does not drive low carbon investment to the desired extent. To fix this, the Commission proposed to withhold part of the CO₂ allowances allocated to 2013 - 2015 and eventually give them back for auctioning between years 2018 - 2020 in order to temporarily reduce the number of allowances in the market, i.e. back-loading.

The proposed market intervention would then be achieved through a change in the ETS Directive. This requires approval of the European Parliament and the Council. While the potential economic and social impact of such market intervention with the varying back-load quantities (400, 900 and 1200 million tons) shall be analyzed only by the end of this year, the Council and the Parliament have been invited to endorse the EC proposal.

The Federation of Finnish Technology Industries does not support the proposal for a review of the auction time profile to implement a back-loading of the allowances in the EU ETS. The proposal should be rejected.

No unilateral cost increase

The back-loading proposal will lead to both direct and indirect unilateral CO₂ cost increase for EU only. This will affect especially energy-intensive industry but other sectors and private consumers also. Especially now due to economic downturn, value creation is needed for growth. Rising energy and CO₂ prices do not create overall value or jobs. Instead, it will hamper Europe's economic recovery by diminishing the global competitiveness of European industry and thus increase carbon leakage. The current reduced demand for emission allowances is a result of the economic downturn. Withdrawing the "surplus" allowances would inhibit growth and the recovery of the downturn.

EU ETS is a market-based instrument and the markets should not be politically manipulated

The Federation of Finnish Technology Industries supports the ETS in the EU climate policy as a tool to achieve the agreed CO₂ emission reduction target. Carbon price reflects the economic downturn as it should do, i.e. the carbon market is functioning. The ETS is already delivering the expected results: Industry sectors covered by the ETS are on track to meet the EU goal of a 20 % reduction in the CO₂ emission and the current carbon price shows that the target can be reached at a cost-effective price.

Industry needs predictability and transparency

The rules of the third ETS period 2013 - 2020 should not be changed at this stage. The targets of the third ETS period will already be reached. Instead, EU should look forward and emphasis should be put on the discussion of the CO₂-reduction targets post 2020. The present EU ETS barriers and risks for growth must be removed before 2020 taking into account binding emission reduction commitments by third countries and their impact on sectors and sub sectors, so as to preserve an international level playing field for EU industries.

Short-term measures, such as the proposed changes to the EU ETS auctioning regulation to back-load allowances should be avoided as the measures would create uncertainty. This could have repercussions for European industry, which is already under strain because of the economic downturn.

No overlapping policies

An improved coherence among energy, climate and industry policies is crucial for the competitiveness of the European industry. To have functioning and cost efficient ETS, overlapping policies and other climate-related targets undermining the allowance market should be eliminated. High energy costs already provide a strong incentive for the EU industry to reduce carbon emissions, independently of the ETS. Interfering with the carbon market to push up the carbon price is not the right way to encourage low carbon investment, since these are being supported through other mechanisms and policy tools.

Definitions should be more specific

The Commission proposal is not clarifying the ETS Directive. It has definitions that are not specific. Definitions such as "exceptional circumstances", "as appropriate" and "orderly functioning of the market" need to be replaced with more specific terms or defined more specifically. Otherwise, the proposed changes would enable the Commission to take any steps it considers appropriate, even retroactively. ETS would then cease to be a free market-based mechanism.

According to the proposal, part of the allowances would be postponed to a latter phase of the third emission trading period. This aim of this is to affect the carbon prices even if this intention is not mentioned by the Commission. The Federation of Finnish Technology Industries also sees a big risk that

this is just a first step on a permanent cancellation of allowances. The EU should stick to the 2008 Climate and Energy Package and the conditional 2020 targets.

Information of the respondent

The EU Transparency Register Identification number of the Federation of Finnish Technology Industries is 39705603497-38.

The Technology Industry is comprised of five sub-sectors:

- Metals Industry
- Mechanical Engineering
- Electronics and Electrotechnical Industry
- Information Technology
- Consulting Engineering

The Technology Industry represents:

- 60 % of total Finnish exports
- 80 % of private-sector R&D investment
- Some 300 000 employed directly in the sector, a good 750 000 employed in total, equaling about 30 % of the entire Finnish labor force.
- The Federation of Finnish Technology Industries has some 1 600 member companies.

The respondent agrees that the response to the consultation is published along with other responses.

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