



EU ETS stakeholder meeting

Early reduction of The Linear Factor

Massimo Ramunni
Confederation of European Paper Industries
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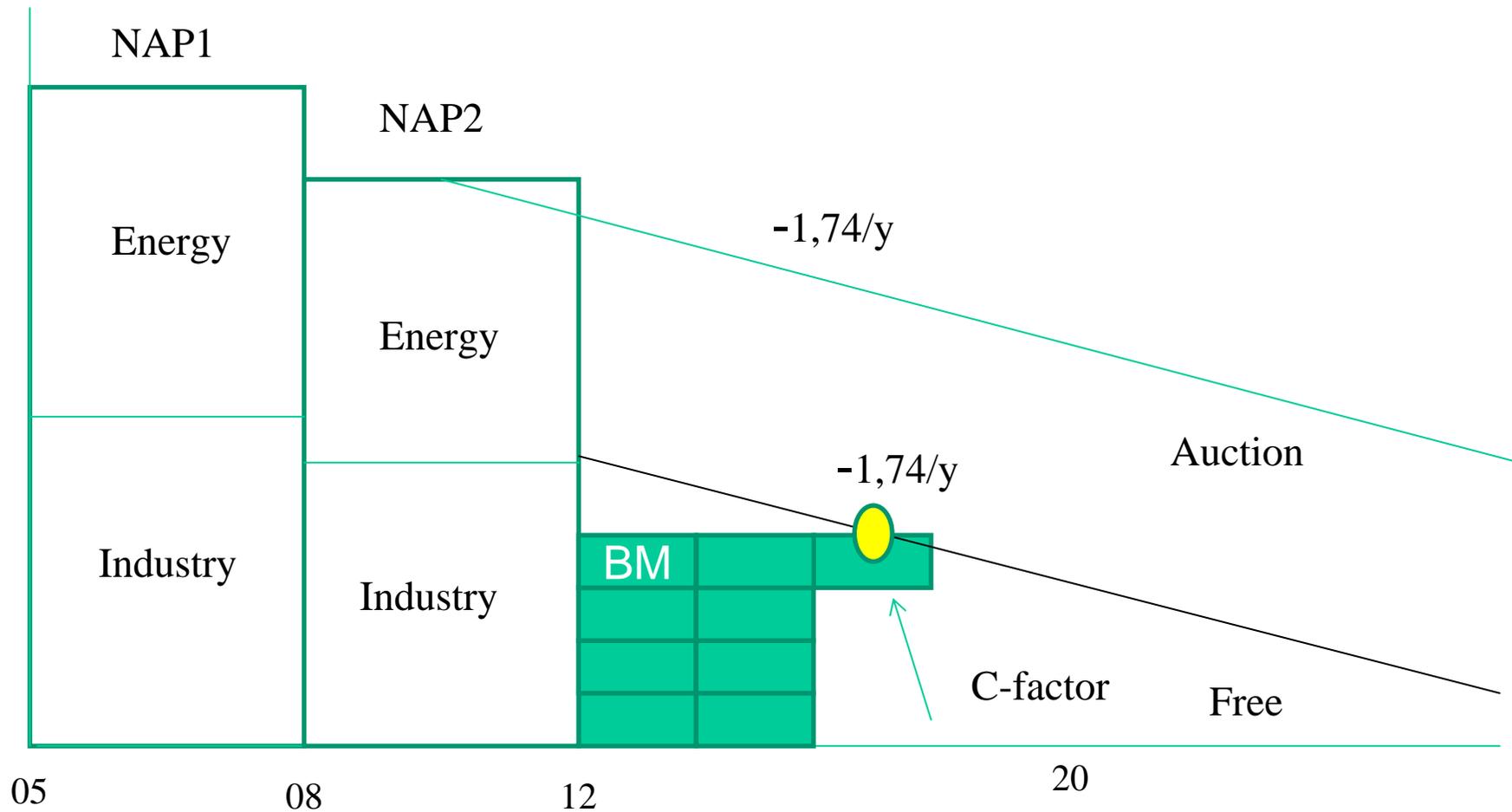
Change the linear factor



- The very moment the C-factor is there, industry free allocation via benchmarks will be reduced -1.74%/year.
- If industry is to keep costs equal – it would have to increase efficiency by 1,74% per year, every year. This is unprecedented in any energy efficiency agreement. There is of course fuel mix change,
- but still, technology breakthrough is needed, even for -1,74.
- Let alone the very costly proposal to move to - 2,3%/year.



But is there another option?



It is about the shape of the curve



- When could a change in the linear factor be justified?
 1. When there is a global agreement/level playing field.
 2. When there is a radical technological breakthrough.
- Therefore one should discuss the shape of the curve from A to B – or **from 2020** to 2050. Choices are political. It is not a linear curve per se.



The option



- Disconnect the total cap (linear factor) from the industry cap (linear factor) – disconnect decisions on the auctioning volume from the industry cap.
- Discuss the shape of the curve.
- The structural review of the ETS could offer this opportunity – **for after 2020**.

