

**Comment of VERBUND AG to the
„Consultation on the review of the auction time profile for the EU Emissions Trading
System“**

About VERBUND

VERBUND is Austria's leading electricity company and one of the leading hydropower producers in Europe. The company obtains more than four fifths of its electricity from hydropower, supplemented by thermal power and wind power. Including its equity interests, VERBUND looks after more than 4 million electricity customers, and trades in electricity in 19 countries. In 2011, VERBUND generated annual sales of €3.9b with around 3,000 employees. Together with its subsidiaries and partners, VERBUND covers all sectors of energy supply – from the production, transportation and distribution of electricity to international trading and marketing. Since 1988, VERBUND has been listed on the stock exchange Vienna; 51% of the share capital is owned by the Republic of Austria. Further information: www.verbund.com

VERBUND-Considerations

VERBUND supports Set-Aside/Back-Loading. The CO2 market should help to achieve the energy turnaround and is crucial for the development of renewable and low-CO2 generation technologies. However, the CO2 market has not given adequate price signals for a while. At current CO2, gas and coal prices, the steering effect towards low-CO2 technologies has not been achieved at all – on the contrary lignite fired power plants are currently more competitive than highly efficient gas fired power plants. VERBUND therefore endorses any action that leads to a strengthening of the CO2 market so that the ETS can play its role as pivotal point for the transformation of the energy system.

The proposal of the Environment Committee of the EU Parliament to withhold 1.4 billion allowances as of the beginning of the third period is from our point of view reasonable. According to the German bank KfW (Kreditanstalt für Wiederaufbau) about 1.3 to 1.5 billion surplus emission rights have been accumulated since 2008. The CO2 allowances surplus must be reduced as a matter of urgency so that the carbon market can send signals for investments in low-emission technologies.

However, a temporary withholding of certificates as proposed is insufficient to stabilize the CO2 market in a sustainable way. An additional mechanism should be implemented that adapts the volume of future auctions continuously to the emission reduction target, the development of renewable energy sources, the increase of efficiency levels and the power demand. This process could be monitored by an independent European-CO2-Commission to be established.

Furthermore, VERBUND favors an increase of the CO2 reduction target to minus 30%. VERBUND is awaiting with big interest the announced report on the functioning of the EU ETS as a basis for further amendments to the Emissions Trading Directive.