



MUNKAADÓK  
ÉS GYÁRIPAROSOK  
ORSZÁGOS SZÖVETSÉGE  
CONFEDERATION OF  
HUNGARIAN EMPLOYERS  
AND INDUSTRIALISTS

## Reply of the Confederation of Hungarian Employers and Industrialists to the Public Consultation of the European Commission on Structural options to strengthen the EU Emissions Trading System

While we recognize the efforts of the European Commission to come to an agreement to establish a global carbon market, we have to keep in mind the fact that there is no such system today.

This consideration is critical for important sectors of the Hungarian industry, such as the refining and petrochemical industry, construction materials sector, the chemical and the paper industry, because their operations are particularly and directly exposed to competition from non-EU countries (*creating the so-called carbon leakage phenomenon*).

Without a binding international agreement, the proposed measures would potentially have detrimental effect on the competitiveness of these industries, and would eventually result in increased CO<sub>2</sub> emissions in third countries – which is antithetical to the goal of the EU ETS. Only an agreement on an **international regime** can remove these concerns, and would also allow us to evaluate the six proposed options.

The allowance surplus in question is the combined result of the grave economic crisis and of the overlapping climate policy measures that further weakened the potential of the EU ETS. Demand for quotas is likely to grow naturally once our economies recover, and it would be counter-productive to increase them administratively before this.

We therefore encourage the Commission to analyse the impact of the overlapping climate policy measures, focus on removing the current duplications and to refrain from proposing new measures or interventions in the EU ETS before such an analysis is carried out.

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