



## Position of the Polish Climate Coalition

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### regarding substantial changes in the organisation of the emission trading system proposed by the European Parliament and the Council

*This position refers to the proposal for a decision of the European Parliament and of the Council amending Directive 2003/87/EC clarifying provisions on the timing of auctions of greenhouse gas emission allowances and the draft Commission Regulation amending Regulation (EU) No 1031/2010, in particular to determine the volumes of greenhouse gas emission allowances to be auctioned in 2013-2020.*

Considering the strategic objective of the EU climate policy, i.e. reduction of greenhouse gas (GHG) emissions, the Polish Climate Coalition judges the changes in the **provisions on determination of GHG emission allowance volumes** to be auctioned in 2013-2020 and the **auction time profile** as **justified and appropriate**. This position takes into consideration and responds to doubts that have occurred with regard to excessive intervention by the European Commission in the market mechanism of emission allowance trade.

## JUSTIFICATION

1. Progressing climate change, which is increasingly reflected in frequent extreme weather conditions occurring all over the world, requires taking decisive and immediate action. According to the International Energy Agency (IEA), if we want to stop the global temperature below 2°C, the CO<sub>2</sub> concentration should not exceed 450 ppm (currently it has reached 400 ppm). The 450 ppm threshold was endorsed by all the countries that signed the Climate Convention during the COP15 in Copenhagen in 2009. The EU has defined the 450 ppm limit as the overarching aim of its climate policy. As the IEA states **“four-fifths of the total energy-related CO<sub>2</sub> emissions permissible by 2035 in the 450 Scenario<sup>1</sup> are already “locked-in” by our existing capital stock** (power plants, buildings, factories, etc.). *If stringent new action is not forthcoming by 2017, the energy-related infrastructure then in place will generate all the CO<sub>2</sub> emissions allowed in the 450 Scenario up to 2035, leaving no room for additional power plants, factories and other infrastructure unless they are zero-carbon, which would be extremely costly. Delaying action is a false economy: for every \$1 of investment avoided in the power sector before*

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<sup>1</sup> The 450 scenario (S450) assumes joint international efforts to limit GHG atmospheric concentration at the level of 450 parts per million of CO<sub>2</sub> equivalent (ppm CO<sub>2</sub> –eq).

2020 an additional \$4.3 would need to be spent after 2020 to compensate for the increased emissions.<sup>2</sup>”

2. The strategic objective of the EU emission allowance trading scheme (ETS) is to maximally reduce GHG emissions. Making the climate policy more economical constitutes an operational objective. Due to various circumstances, in particular the financial and economic crisis of the past years, the mechanism behind the operation of the ETS became less effective in fulfilling the above strategic objective. Since the system should be strengthened in the third trading period, it is justified and reasonable that the European Commission is provided with tools for correcting the scheme in order to increase its contribution to the strategic objective.
3. Decreasing the volume of allowances will increase their price, which will definitely augment state income from auctions. This revenue can be earmarked for further GHG emission reduction, in particular energy efficiency improvement and development of renewable energy sources (RES). The Polish Climate Coalition presented its proposal on possible allocations for revenues from allowance auctioning during the press conference “Funds from emission allowance auctioning – clear profit for citizens” (26 April 2012) and during the consultations of the draft assumptions to the act on the GHG emission allowance trading system<sup>3</sup>.
4. The situation of the Polish energy sector is difficult and complex. After twenty years of transformation, despite various forms of state support, this sector still remains backward and requires substantial reforms. If its development continues along this traditional path, where large power plants that are closely linked with mines hold a dominating position, it may hinder implementation of energy saving and energy conservation measures, slow down renewable energy development and delay wide application of innovative solutions. This traditional system has to be abandoned and gradually replaced with distributed energy. At the same time, favourable conditions for RES development have to be ensured. A stronger EU ETS will constitute a positive impulse for conducting necessary changes in the Polish energy system and for developing a green and low-carbon economy that will be able to compete on the global market for decades to come.
5. Changes in the EU ETS are indispensable to enable a cost-efficient reduction of GHG emissions by 80-95% by 2050. To this end the Polish Climate Coalition recommends:
  - 5.1. Withdrawing at least 1.4 billion allowances from auctioning (in the amended version of the auctioning regulation). They could be reintroduced to the system not earlier than in the fourth phase of the EU ETS (2023-2026), but their permanent withdrawal would constitute the most desirable solution.
  - 5.2. Reducing the long term reserve of emission allowances through significant and (immediate) rise of the linear emission reduction factor. A factor lower than 2.6% goes against the EU objective to reduce its emissions by 25% to 2020. This, in turn, is indispensable for a cost-efficient fulfilment of the 2050 objective, i.e. to reduce EU emissions by 80-95%.
  - 5.3. Organising the auctioning system according to the solidarity principle (as in the mechanisms defined in the Climate and Energy Package or the EC analyses on the

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<sup>2</sup> *World Energy Outlook. 2011. Executive Summary.* OECD/IEA.2011.

<sup>3</sup> [http://koalicjaklimatyczna.org/lang/pl/page/uwagi\\_do\\_aktow\\_prawnych/id/92/](http://koalicjaklimatyczna.org/lang/pl/page/uwagi_do_aktow_prawnych/id/92/)

possibilities for increasing the EU emission reduction objective). This would mean that a larger number of allowances is withdrawn from auctioning in more prosperous countries so that states with a lower income (new Member States) can obtain more revenues from the auctioning of allowances with a higher value.

- 5.4. Ensuring that the report of the European Commission on the functioning of the EU ETS contains an analysis of short-term repair measures recommended by the EC (e.g. temporary withdrawal of allowances) as well as deep structural changes (e.g. increase in the linear emission reduction factor or permanent withdrawal of a certain volume of allowances from the system).

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**Substantive input:** Institute for Sustainable Development, WWF Poland, Greenpeace Poland

**Editing:** Polish Climate Coalition Secretariat

All the Polish Climate Coalition's members have endorsed the position.

The Polish Climate Coalition is an association of 22 non-governmental organisations. Its mission is joint action to prevent human-induced climate change for the benefit of humanity and environment.

Polish Climate Coalition's members: Aeris Futuro Foundation, Ecological Association Eko-Unia, Ecological Foundation for Ziemia Legnicka "Green Action", FER Foundation, Foundation for Sustainable Development, GAP Poland Foundation, Greenpeace Poland, Green Mazovia, Institute for Sustainable Development, Klub Gaja, Polish Foundation for Energy Efficiency, Polish Green Network, Polish Ecological Club Lower-Silesian Branch, Polish Ecological Club Upper-Silesian Branch, Polish Ecological Club Mazovian Branch, Polish Ecological Club Greater Poland Branch, Polish Ecological Club Świętokrzyskie Branch, Polish Ecological Club Eastern Pomeranian Branch, Social Ecological Institute, The Ecology Foundation Arka, The Polish League for Nature Protection, WWF Poland.

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