

EU consultation on review of the auction time profile for the EU Emissions trading System

EDF supports the EU-ETS as EU's main policy instrument to stimulate reductions in GHG-emissions. We see a cap and trade system as the best tool for cost efficient emission reduction. EU ETS aims to provide long term signals in a stable framework.

The ETS in its current state does not deliver an appropriate price signal and therefore fails to stimulate investment in de-carbonised generation.

The failure to maintain an incentive price signal is due to the impacts of macroeconomic events and the interference with diverse policies.

Taking into account the serious consequences this situation can lead us to; the system must be reformed.

In this context, EDF welcomes the EC initiative and supports the exceptional short term adjustment proposed by the Commission in the consultation, going through a "backloading" procedure.

Moreover, EDF supports the options with the largest degree of backloading given in the "Commission staff working document Com 2012 – 416"; that means 900 or 1200 million allowances.

However as "backloading" is a one-shot measure, EDF recommends as soon as possible to start work on a structural reform of the EU-ETS phase IV to obtain a well-functioning allowance market in the long run. We will therefore also support further steps made by the Commission to complete the necessary reform of the ETS and are ready to contribute to defining solutions.

In our point of view, this reform should take the following steps:

- The EU must clarify its long term decarbonisation objectives beyond 2020. This should include the identification of a target trajectory until 2050 and a binding intermediate objective for 2030, as concerns total emissions of the European economy. The Commission should also fix the emission ceiling for the 4th period of the ETS (beyond 2020). Regarding the ETS, EDF suggests a reduction of 40 -50 % by 2030 relative to 2005.
- The EC should launch a process of structural adjustments so as to create a sustainable and predictable European framework able to send an incentive carbon price signal in the mid and long term and preventing excessive volatility which would generate stop and go effects (price floor and cap mechanism to be studied). Such a process should be operated on the basis of objective governance rules and criteria and enable the integration into the debates of all possibly policy options.
- The articulation between different energy/climate policies in the EU and its Member States must be reformed in order to ensure their coherence. Part of the problems encountered by the ETS is due to its involuntary weakening through interferences with other national and European policies. The structural revision of the system must guarantee an adjustment mechanism within the ETS taking automatically into account the effects of other policies (e.g.

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support to renewable energy sources or energy efficiency) including, if necessary, those of measures adopted by the Member States. The development of renewable energy is not an end in itself but a vital means alongside others (like energy efficiency and nuclear production), in order to decarbonise economy. The main policy drivers are CO2 emission reduction, economic growth and EU competitiveness, security of supply.

As investments in the electricity sector have long lead times and investment horizon and most investments decided in the years up to 2020 will still be in operation in 2050, EDF wants to draw the Commission attention on the need to start the following steps of the reform very quickly.
