



Brussels, February 26th 2013,

To the European Commission
Climate Action

Input to the consultation on structural options to strengthen the EU Emission Trading System (ETS)¹

We are writing this letter to express our concerns about the current consultation on structural options to strengthen the EU Emission Trading System (ETS).

In the consultation, stakeholders are requested to comment on six structural options proposed by the European Commission.

However, the consultation excludes a fundamental, seventh option: an end of the ETS by 2020 and replacement with other regulatory climate policies.

This is a serious omission that leaves this consultation incomplete as an input toward a legislative proposal. After two years of decline, the prices of emission permits and carbon credits have reached historic lows. Numerous institutional as well as private actors are now leaving the carbon market, acknowledging the effectual end of a scheme that from its early days has been crippled by profound contradictions and structural failures.

Contrary to what the Commission is claiming, the EU ETS has not created a “functioning market infrastructure.”

Nor has the EU ETS delivered GHG emission reductions in line with legislated caps. Even conservative sources estimate that between 1/3 and 2/3 of carbon credits bought into the ETS “do not represent real carbon reductions”.

The Commission is also excluding *de facto* the “no action” option, that in our view and in general practice is normally the first option to be considered. We would like to ask the Commission on what ground this decision was taken. In case a cost analysis have been undertaken, we ask the Commission to make it public.

More over, the lack of public disclosure of information on the costs and benefits of each structural

¹ http://ec.europa.eu/clima/consultations/0017/index_en.htm

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option, including the option of closing the ETS, is preventing the European Parliament and the general public from conducting an informed discussion on the best possible choice for Europe. This is inexcusable in view of the cost that the public will likely have to bear for the failure of a key EC policy instrument.

We believe that a different form of regulation is needed to drive structural change in the economy and in production in Europe, and to achieve real GHG emissions reduction as well as a transition from fossil fuel dependency.

We therefore request the Commission:

- To provide the reasons for the omission of a seventh option – closing the ETS - or, if the omission is simply an oversight, how it can be corrected;
- To provide the reasons for the omission of a “no action” option;
- To explain why the Commission is not working on an alternative, non-market-based regulation scheme, given the ongoing collapse of the EU ETS;
- To conduct a comprehensive impact assessment analysis for each of the structural options, including the “no action” option and the option that we propose (closing the ETS), that considers also the impacts of each option outside Europe; and to fully disclose this analysis to the public in order to allow an informed discussion on this important structural reform in EU legislation

For your information we enclose a declaration signed by over 125 organizations, networks and movements globally calling for the abolition of the EU ETS in order to create space for discussion of more realistic climate regulatory policies.

We look forward to your response and welcome the opening of an official, informed consultation on the proposed option of abolition of the EU ETS and on the regulatory measures needed to achieve the deep transformation of the European economy that millions of citizens in Europe and beyond foresee.

Best regards,

Belén Balanyá

on behalf of
Corporate Europe Observatory

(attached: “Time to scrap the ETS” Declaration + list of signatures at February 26th 2013)