

16th October 2012



CBI response to the European Commission's Consultation on the review of the auction time profile for the EU Emissions Trading System

Setting a 2030 EU-wide emissions target must be the main priority for EU ETS reform

1. Emissions trading is the most efficient and effective way to reduce emissions

The EU ETS provides an important level playing field, with great potential to drive investment. A strong ETS should therefore be the central pillar of the European climate framework.

2. The EU ETS is not currently fulfilling its potential because of its short-term focus

While technically operating well, the EU ETS is not incentivising the investment needed to meet Europe's future energy and climate goals. Europe will need significant emissions reductions post-2020, but the market is struggling to factor that in to today's prices given the parameters currently set.

3. An EU-wide 2030 emissions target must be set as soon as possible

The most important step for recalibrating and strengthening the EU ETS is to set long-term emissions targets which can then be translated into a cap for Phase IV of the scheme. This would also help to provide businesses with important visibility of the trajectory for Phase IV.

4. Short-term measures can only be helpful as part of a long-term strategy

With a long-term pathway set out, short-term term action could also be considered to smooth out any kinks in the curve and ensure Europe is on the right path. Any such proposals, including the backloading of Phase III allowances, must be clearly analysed and justified within a long-term context, accompanied by strong political will for swift progress on putting a post-2020 framework in place. As a result, the CBI does not have a view on a specific bottom-up number of allowances to be backloaded, but does urge the Commission to publish its report on ETS structural reform measures as soon as possible.

5. The ETS must work for all businesses, including energy-intensive industries

Energy-intensive industries must be at the heart of a European low-carbon economy. Many of the businesses most at risk of carbon leakage find present support piecemeal and inadequate, and the CBI would like to see new proposals to tackle the problem in an evidence-based and harmonised way as part of on-going discussions about ETS reform. This should include measures for those electro-intensive industries not in the ETS, but facing pass-through costs in their electricity bills.

The CBI will be setting out its recommendations for reforming the EU ETS in greater detail in a brief to be published shortly, and looks forward to discussing its ideas further with the Commission as a constructive partner.