

Chris Beddoes
Acting Secretary General

Ms Yvon Slingenberg & Mr Stefaan Vergote
European Commission
Directorate-General Climate Action
Unit B1 – Implementation of ETS & Unit A4 - Strategy and Economic Assessment
Avenue de Beaulieu/ Beaulieulaan, 5
B-1049 Brussels
Belgium

Brussels, 8th October 2012

Subject: EUROPIA's response to the European Commission's consultation on review of the auction time profile for the EU Emissions Trading System (EU ETS)

Dear Ms Slingenberg, Dear Mr Vergote,

EUROPIA is a non-profit organisation that represents the downstream sector (refining and marketing) of Europe's oil industry. Its members, which include Europe's leading oil companies, account for around 80% of EU petroleum refining capacity and some 75% of EU motor fuel retail sales.

The EU ETS is the EU's "flagship instrument" within its energy and climate policy framework, designed to deliver emission reductions from sectors covered at the lowest cost to the economy. EUROPIA believes trading ensures that industry has compliance flexibility and that EU ETS sectors reduce emissions in the most cost-effective way to help reach the overall EU GHG emissions reduction targets. A broad ranging debate is needed about the longer term future of ETS and how the EU's aims can be met whilst retaining a competitive economy. However, EUROPIA is opposed to the short term intervention now proposed by the Commission for several reasons.

EUROPIA agrees with the assessment of the Commission's Staff Working Document that the EU ETS market is working, reflected in a doubling of contracts in the past 3 years and narrowing of bid-offer spreads.

The ETS allowance market is expected to be long throughout Phase 3 primarily because of reduced demand by installations in the current weak economic environment, aggravated by other factors such as overlap with Renewable Energy and Energy Efficiency Directives. The EU ETS market, by pricing in this effect, is working as designed including allowing the overall EU ETS cap to be achieved.





EUROPIA also has concerns as to the uncertainty and regulatory precedent that such an intervention would set. The proposed Directive amendment is extremely open ended and unclear:

"The Commission shall, where appropriate, adapt the timetable for each period so as to ensure an orderly functioning of the market."

This proposal above would give the Commission the right to adapt the auction timetable where the Commission deemed this to be appropriate. It is also not clear how the condition for intervention '...to ensure orderly functioning of the market' is to be defined. Thus the current proposal would allow regular and multiple proposals for intervention via backloading (i.e. amending the auction time schedule 'where appropriate').

Finally, EUROPIA understands that the Commission is working on an Impact Assessment and an Assessment on the Carbon Market. EUROPIA believes that these should both be available and part of a wider debate on the future of ETS before any short term decision on back loading is taken.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Chris Beddoes".

Chris Beddoes
Acting Secretary General, EUROPIA

Attached document: EUROPIA position of intervention in the EU ETS Market

