

Finland's position with regard to the report from Commission to the European Parliament and the Council on the state of the European carbon market in 2012.

Finland welcomes the Commission's report on the state of the European carbon market in 2012. The report forms a good basis for further discussion and analysis, which is needed to develop and improve the EU ETS.

Finland thinks that, due to the considerable surplus of emission allowances, the EU ETS does not work in a satisfactory way in every aspect. The EU ETS in its present situation does not incentivise energy sector and other relevant investments sufficiently towards low-carbon technologies. Thus, long-term structural changes are required to improve the functioning of the trading scheme. Finland thinks that the analysis presented by the Commission on the present state of the EU ETS is a valid one.

In the report the Commission has outlined different options through which structural measures could be implemented. Finland regards the options based on regulation of the volume of allowances more feasible than, for example, implementing price management mechanisms. However, the available options need to be identified more specifically in order to form a more comprehensive assessment. The list of options presented by the Commission is not exhaustive. Other options, such as regularly reviewing the cap of the EU ETS (rolling cap), should be considered as well. The options are presented on a rather general level, without any kind of impact assessment. Moreover, it remains at least partly unclear what legislative changes the implementation of options would entail.

The government of Finland decides separately on its position with regard to the possible tightening the EU's emission reduction target to 30 % in 2020. At this stage Finland has a critical view on options aiming at tightening the cap based on a permanent withdrawal of allowances.

Finland sees the discussion on structural changes of the EU ETS as closely related to how the EU's post 2020 climate policy objectives will be developed. Formulating an emission target for the year 2030 would provide an important component in the EU ETS operators' long-term planning. Finland notes that the EU's 2030 emission reduction target need to be evaluated as part of the development of overall post 2020 climate and energy policies. Fixing a post 2020 emission reduction target could also strengthen the functioning of the EU ETS in phase 3.