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## **Jernkontorets response to the consultation on review of the auctioning time profile of EU ETS and the proposed change in the EUETS directive**

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The European Commission has published a proposal on changes in the auctioning profile of the EU ETS by postponing the auctioning of a certain amount of allowance until the later part of the third period (backloading). The motive of the proposal is that there is an oversupply of allowances and that the market does not work properly.

**Jernkontoret believes that the proposed intervention in the EU ETS will undermine the systems function, hamper the international confidence in EU climate policies and further decrease the will to invest within industry in Europe.**

### **EU ETS market is functioning**

The fact that the price is low and that there are more allowances in the market than estimated in 2007, does not mean that the system does not work. Instead the market works exactly as could be expected under the framework of the directive. The emission target is achieved at the lowest cost, which is the only purpose that the system can have with the current cap and trade design.

### **Interventions in EU ETS before 2020 undermine the confidence in European policies and impede investments**

European industry and policy makers have during the last years struggled with the preparations for the third trading period. The climate targets are highly ambitious and the cost of emission allowances will strike directly towards the companies' marginal production. This will naturally affect the decisions on investments and product development for industries that act on a global market. Any intervention of the trading system during the period would further diminish the confidence in European policies and of Europe as a region for future investments. It must be recognised that the surplus of allowances that occurs on the market is not evenly distributed among the participants of the system.

In addition to the direct effect of cost for allowances there is also an indirect effect from increased cost of electricity which is substantial for electricity intensive industry such as the scrap based steel industry.

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## **EUs possibilities to be a strong actor in the international climate negotiations diminish**

One important purpose with the ambitious European climate policy might be to be able to push the international climate work towards a global agreement. We believe that the EU ETS will not be a role model for other countries/regions if policy makers decide to change the conditions of the system in a non predictable manner.

## **Climate policy post 2020 has to be based on feasibility and real global effect**

We welcome a thorough discussion of the post 2020 energy and climate policy. To be able to contribute to global emission reductions, EU need growth in globally competitive companies. This would drive economic development, affect the global climate through climate efficient products and enhance the political strength of the EU. A long-term policy need to take into consideration the technical possibilities for various sectors and their global competitive situation.

For more detailed comments we refer to the response from Eurofer, which we support.

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