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International Network for Sustainable Energy

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For DG Climate Change

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Comments to proposal for early auctioning of EU-ETS phase 3 allowances

INFORSE-Europe is deeply concerned that the current EU-ETS does not lead to substantial investments in renewable energy or in energy efficiency. This is caused by the low and varying prices of the EU-ETS allowances during its first and the second phases. Unfortunately, the current excess of allowances in the second phase that can be banked for use in the third phase (from 2013), combined with the planned emission of allowances following the EU 20% greenhouse gas reduction target for 2020, seems to lead to excess of allowances also in the EU-ETS third phase. To change this INFORSE-Europe has proposed to set a minimum price for EU-ETS allowances and to limit the carry over of allowances from the second phase to the third phase, see http://www.inforse.org/europe/eu_em-trad.htm.

For the early auctioning of EU-ETS phase 3 allowances, it is important that the early auctioning does not compromise any limitation of the allowances in the third phase. This could be a reduction as proposed by INFORSE-Europe or a reduction coming from a decision to set a more ambitious overall greenhouse gas reduction target for 2020, such as 30%. Therefore we propose that the early auctioning is set to the lowest possible level.

Another reason to limit the early auctioning is that with too large early auctioning "the macro-economic cost of abatement would increase particularly because of delay of long-term investment in low-carbon technology" (stated in the DG Climate discussion paper for the stakeholder meeting December 13, 2010). This is a longer-term and therefore more serious problem than the effects of too small auctioning.

Regarding the question about if all relevant factors for fixing early auction volumes have been determined, and what is missing, INFORSE-Europe finds that the possible improvement of the EU-ETS third phase must be taken into account, including possible limits of the auctioned amounts of allowances, limits to the use of external (CDM) credits, and limits in the project types eligible for CDM credits.

Best regards,