

European Commission
Directorate-General Climate Action
Unit B.1 - Implementation of ETS
Avenue de Beaulieu, 24
B-1049 Bruxelles
Belgium

Letter sent by e-mail: clima-ets-structural-measures@ec.europa.eu

Brussels, February 27, 2013.

Dear Sir,

Subject: Consultation on structural options to strengthen the EU Emissions Trading System -
Eurima Transparency Register nr: 98345631631-22

Eurima response to EC Consultation on “Structural Reform of the EU Carbon Market”

Eurima acknowledges that putting an incentivising price on carbon is an effective tool to deliver GHG emission reductions and encourage investments in energy efficiency technologies such as thermal insulation. Stability and predictability are a pre-requisite for a well-functioning EU carbon market. Structural change to the EU-ETS can only be effective if it takes into consideration the following general principles:

1. To increase its stability, it is essential that the EU firmly acknowledges that EU-ETS is part of a broader ambitious EU Climate and Energy Policy that must be a key instrument to facilitate and safeguard competitiveness and sustainable growth. EU Climate and Energy Policy needs to be a package of mutually reinforcing, coherent and consistent policies, targets and measures for Greenhouse Gas mitigation (GHG), Renewable Energies (RES) and Energy Efficiency and Savings (EE):
 - a. The current EU targets and measures for GHG, EE and RES (20-20-20 by 2020), including EU-ETS, were largely developed under the Kyoto de-carbonisation commitments. The focus and objectives of the evolving EU Climate & Energy Policy, including the structural reform of EU-ETS, must go well beyond this context to contribute to the EU competitiveness and sustainable growth agenda.
 - b. A re-enforced EU acknowledgement of this broader context is needed as basis for cross-fertilising inter-linkages between EU-ETS obligations and revenues and other Climate & Energy targets and measures related to both the Energy Performance of Buildings Directive and the Energy Efficiency Directive. Setting separate objectives in these fields in isolation will lead to short sighted, sub-optimal solutions, possibly counter-productive initiatives and risk of missing cost-efficient opportunities.
As a result: less investment perspective and security, lower CO₂ prices and a continued dis-functioning EU-ETS;

- c. An ambitious coherent and consistent Climate and Energy approach is very much about maximising the cost-efficient contribution of different sectors while releasing all possible ancillary benefits in terms of e.g. employment, health benefit etc. This need to be analysed and current legislation and policies, including EU-ETS, should allow for investments to be guided by these principles.
2. To ensure more stability, predictability and investment security while pre-empting, repairing and preventing a (temporarily) dis-functioning market, the focus of the structural changes to EU-ETS should be put in a longer-term (2050) perspective and not be limited to address the short term challenges.
3. To increase clarity and incentivise low-carbon/low energy processes and products current rules e.g. related to Carbon Leakage (article 10a (12-18)) should take account of factors such as carbon footprint in the product life-cycle and potential sectorial competition distorting effects.
4. To underline the fact that EU-ETS is strongly embedded in an ambitious overall Climate and Energy Policy framework, the obligation should be strengthened for member states to earmark EU-ETS revenues for low-energy/low-carbon investments instead of just increasing government tax revenue in the spirit of recital 18 (article 10.3) of the current ETS-Directive. Strengthening the obligation to invest ETS-revenues in clearly defined low-carbon/low energy projects like the deep renovation of the EU building stock, the largest, most cost-effective untapped potential in the EU will not only provide “external” leverage-capital to trigger these investments, but also, generate additional “savings-revenues” thus enabling revolving capital flows. This will boost confidence in the EU-ETS business-model.

Eurima believes that predictability and confidence can only come from the described strengthening of the overall climate & energy policy framework and that, based on these arguments, any structural changes in the EU ETS and its delivery mechanisms as proposed in the different options need to be subject to thorough analysis from this perspective.