

## **Alstom's response to the European Commission's consultation on review of the auction time profile for the EU Emissions Trading System**

Alstom is a global equipment and services supplier to the power generation, power transmission and rail transport sectors. Through its innovative technologies, the Group contributes to improving energy efficiency, reducing CO<sub>2</sub> emissions and developing renewable sources of energy, in line with the objectives of the EU energy and climate package.

**Alstom believes that the EU Emissions Trading Scheme is one of the main tools to achieve the EU's emissions reduction objectives at the lowest cost and to stimulate low carbon investments through an appropriate carbon price signal.** The effectiveness of carbon market is today severely challenged by the impact of the economic recession, which has created a significant oversupply of allowances (currently estimated to be above a billion), dampening the urgently needed signals for investment in low carbon technology (i.e. carbon capture and storage), energy efficiency (demand and supply side) and renewables.

**Failure to act immediately threatens jobs and growth.** It will also undermine progress towards energy security and our common climate goals, and risks distorting the internal market as Governments introduce alternative measures to deliver their own energy and climate policies. Therefore:

**1. We support the Commission's proposal for a Decision amending the ETS Directive** clarifying provisions on the timing of ETS auctions as a first step paving the way for essential structural measures to ensure the full functioning of the ETS.

*"The Commission shall, where appropriate, adapt the timetable for each period so as to ensure an orderly functioning of the market"* (added to Article 10(4) of Directive 2003/87/EC)

**2. We support back-loading as it will give an immediate signal for investors and restore confidence in the ETS.**

In terms of volume, we support the back-loading of **1.4 billion allowances** to be auctioned. In terms of timing profile, we are in favour of back-loading higher volumes in 2013 and lower volumes in the subsequent years.

We cannot propose a view on a returning date of the back-loaded allowances as we support the permanent withdrawal of these allowances. We however recognise that the objective of permanent withdrawal to bring scarcity on the EU ETS market can be reached similarly through an early agreement on ambitious CO<sub>2</sub> emissions cap for 2030.

**3. We believe back-loading is a measure driven by urgency and should be implemented in a timely manner.**

**4. We believe that back-loading should pave the way towards more structural measures aiming at ensuring the proper functioning of the EU ETS.**

It is urgent for an agreement on a 2030 CO<sub>2</sub> emissions cap to be set, in coherence with the other EU Climate and Energy policies. **The 2030 ETS cap should be agreed no later than the first half of 2014.**

Trajectory for 2030 and beyond has to be ambitious to deliver CO<sub>2</sub> emissions reduction objectives in 2050 (80-95% reduction for GHG and 91-98% for the Power sector). To this end, **we support the increase of the annual linear reduction factor of CO<sub>2</sub> emissions reduction from 1.74% to 2.5% for 2020 and beyond.**