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**Remarks from Confederation of Danish Industry on “Consultation on a draft for a future amendment of the Commission Regulation (EU) No. 1031/2010 (Auctioning Regulation) including on the amount of auctioned allowances which should be backloaded.”.**

***Key message:** The proposal put forward by the Commission on the 25<sup>th</sup> July 2012 does not sufficiently solve the problems faced by EU’s energy – and climate policy and European Industry sectors. Neither has the proposal been supported by robust impact assessments on short term and longer term perspectives. DI urges the EU community to facilitate a more robust plan that allows EU sectors to invest confidently with a long term perspective in new and yet better solutions.*

Like a clear majority of the European Industry the Confederation of Danish Industry (DI) supports the role of the EU ETS as a key part of the portfolio on instruments in EU’s Energy- and climate package. Indeed “greening” the EU’s economy along with efforts in Member States is today supported by a set of combined market based instruments and more tailor made national instruments. Incentives and efforts are facilitated through these channels based on past political agreement within the EU.

The economic crises have impacted EU’s economy severely and challenged all political and economic parts of our society. Jobs have been lost throughout the sectors, and wide efforts to regain strength are rightly implemented at EU level and national level. The energy- and climate dossier are impacted as well, but so far the yearly investment in green energy technology solutions has remained relatively high. Thus a portfolio of instruments has and will steer the EU through the crises.

The EU ETS as a market based system has responded as expected to the crises. Judged on its current design and function it has proved to behave like intended. The current allowance price is lower than originally anticipated, and will likely stay lower towards 2020 than the 30 EUR level. To this picture it’s also fair to add that efforts on renewable energy and energy efficiency have also impacted the supply-demand balance of ETS. Finally, the international circumstances do also play an important role for ETS and for the EU’s climate efforts.

The proposal put forward by the Commission on the 25<sup>th</sup> of July 2012 is inadequate to deal with the problems. As it does not have any positive environmental impacts, it will only increase EU's costs to meet the political agreed target. And clearly the temporary, yet still unknown, effect on the allowance price will only induce larger political uncertainty into the energy- and climate complex. In fact the proposed amendment, "The Commission shall, where appropriate, adapt the timetable for each period so as to ensure and orderly functioning market", does not support any efforts to increase investor confidence in the EU ETS sectors.

However, DI appreciate a purpose (if that's the case) of the Commission to start preparing a debate about how the EU and the Member States can carry on its efforts related to energy security, energy efficiency, renewable etc. In fact DI would positively support a more robust and constructive debate about the future of EU's energy- and climate policies. In Europe DI stand united with our European colleges to facilitate a constructive debate on these matters. In Denmark DI has supported the Danish Parliament agreement to decide and implement a very ambitious tailor made energy plan towards 2020. The energy agreement includes various concrete measures on energy efficiency, renewable energy and market regulation with the scope of leveraging a 35 per cent Danish emission reduction in 2020. Both in the EU and in Denmark moving forward with post 2020 considerations are pivotal. Therefore, it is *in the interest of DI's members also* to elevate the debate about the future of EU's energy- and climate policy, including maturing the current political ETS debate significantly. DI would like to see:

- An operational and transparent roadmap on needed political action to develop the next generation of EU's energy- and climate policy. Such a roadmap should include close dialogue with the business community.
- A more vision based approach with ambitious paths towards supporting a strong European industrial base aligned with an environmentally *and* economically sustainable effort to combat climate change. There must be a clear horizontal industry policy core of a future energy- and climate policy in Europe. Exporting industry jobs and CO<sub>2</sub> emissions are clearly not a sustainable answer to climate change.
- A solid review on how EU's current policy instruments can be designed coherently onwards, with 2030 as a milestone as part of a long term trajectory. ETS, renewable development and energy efficiency efforts must be part of a more integrated and robust framework with a better balance between instruments, EU- and national initiatives. DI can only support the same messages from BUSINESSEUROPE and many other national confederations throughout Europe.
- A wider scope for assessment of carbon leakage effects on industrial sectors. A change of the current design of ETS regarding how indirect (power) costs for sectors exposed for international competition. A compensation regime should be an integrated part of the ETS like the direct cost compensation regime.

- An EU framework anchored in and recognizing the future of the international and regional context regarding energy markets, energy security, product- and technology diffusion, and climate change debates.