

# **E U R O P E A N E C O N O M I C A R E A**

## **STANDING COMMITTEE OF THE EFTA STATES**

Ref. 1117701

16 October 2012

### **SUBCOMMITTEE IV ON FLANKING AND HORIZONTAL POLICIES**

#### **EEA EFTA Comment**

#### **on the review of the auction time profile for the EU Emissions Trading System**

1. The EEA EFTA States, Iceland, Liechtenstein and Norway, would like to thank the European Commission for the opportunity to comment on the draft for a future amendment of Commission Regulation (EU) No 1031/2010 on the auctioning of EU ETS allowances. Since participation in the EU ETS is an important part of the EEA EFTA States' climate policies, they have studied the draft with interest and would like to provide the following feedback.
2. The EEA EFTA States are concerned about the low price level of CO<sub>2</sub> allowances in the EU ETS market and are of the opinion that this should be addressed in a proper manner as soon as possible. As the Commission's Working Staff Document (SWD(2012) 234) has illustrated, new measures need to be put in force in order to increase price levels for the next phase of the EU ETS. Without such measures, low price levels could be expected throughout phase 3 of the EU ETS. The EEA EFTA States therefore appreciate the European Commission's initiative on measures to increase the price levels of EU ETS allowances.
3. The price level should be increased in order to trigger structural changes and enhance technology developments which may in turn support the transition to a low carbon economy. In addition, a strong long term price signal for all market actors is important to ensure that investments in infrastructure are made in line with a low carbon economy.
4. Therefore, the EEA EFTA States support the option proposed foreseeing the largest change in the auctioning time profile, which would see the auctioned amount reduced by 1.2 billion allowances in the years 2013 to 2015.
5. The EEA EFTA States are however of the opinion that it is unlikely that back-loading of ETS allowances to be auctioned will have much influence on prices or any effect on greenhouse gas emissions in the long run. To ensure a higher price level throughout

phase 3 of the EU ETS and beyond, the EEA EFTA States strongly believe that structural measures will also have to be implemented, such as retiring permanently an appropriate amount of allowances from the system.

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