



Górnictwa Izba Przemysłowo-Handlowa

Mining Chamber of Industry and Commerce

Katowice, 28.02.2013

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**Directorate-General
Climate Action
European Commission**

Brussels

Dear Sirs,

Below please find the position of the Mining Chamber of Industry and Commerce on the document: "Report of the Commission to the European Parliament and the Council. State of the European market of carbon emission certificates in 2012 (COM (2012) 652 final and Commission's proposals for "backloading" of CO₂ emission allowances.

Mining Chamber of Industry and Commerce representing over 70 businesses that employ more than 130 000 employees and operating in the mining sector strongly disagrees with the proposed structural reform of the European Emissions Trading Scheme EU ETS. We believe that the Commission's attempt to interfere in the functioning of the existing rules is a dangerous precedence that undermines confidence in the institutions of the European Union as well as in the existing rules. The Commission can not unilaterally assign itself the rights and make decisions pertinent to member

states! Therefore we reject the Commission 's proposal that it can unilaterally modify the existing rules in this area.

After the proposals to amend the ETS Directive and regulations within the EU ETS auction involving "the temporary withdrawal of permissions from the auction" in 3rd stage of auctions of certificates of emission allowances under the EU ETS, the Commission now proposes structural reform in order to reduce the number of allowances in the EU ETS in the quest to improve certificates carbon price and encourage investment in low carbon technologies. Commission presents six options of long-term structural reform measures, which in our view, serve primarily to increase allowance prices in the European carbon market.

The Commission's proposals lead to higher prices for emission allowances and according to a respective directive in this area the objective of the Emissions Trading Scheme consists in achieving emission reductions at the lowest possible cost. The Commission's proposals are significantly inconsistent with the said objective.

The reason of the current decline in carbon prices is, as the Commission rightly states, the decline in demand for certificates as a result of the economic slowdown. This is a natural result of interaction between supply and demand, and shows that the market is in fact perfectly and orderly functioning. Amendments proposed by the Commission, would lead to a distortion of the market, and not to its improvement. The Proposals t would achieve exactly the opposite of what is proposed .

Higher carbon prices will translate into higher electricity prices, which will result in the loss of competitiveness in the world market at least of some of the EU countries, putting their energy-intensive industries in a dramatic situation. On the world market, these companies will be losers and they will either move their production outside the European Union or cease their activities. Both of

these outcomes lead to an increase in the unemployment rate which, in times of crisis prevailing now, seems almost as a suicidal move. The Commission's proposal ignores the whole above mentioned phenomenon.

The Commission assumes that the current economic downturn is an exceptional circumstance. One cannot take it for granted. Economic difficulties facing Europe, and only Europe, may persist for many years and one can not talk about them as "exceptional". Indeed, by the increase in energy prices, the Commission proposals risk both the strengthening and tightening of the slowdown which is defined by the Commission as "exceptional". The proposals are based not only on faulty reasoning, but they will also be economically harmful.

The Commission does not analyze the effects of their proposals for individual member states and does not take into account the fact that the increase in electricity prices in some Member States will push number of households into the status of fuel poverty.

The constant attempts of EU energy policies to interfere in the EU energy market only limits, weakens and distorts the market. Additional targets for emissions reductions and renewable energy share seems to be nothing else but an attempt to interfere into market mechanisms, what can result in serious consequences. Already at present one can observe a very clear halt in investments in generation infrastructure because they are too risky under the current conditions.


It seems that the underlying purpose of these proposals will be a change in the EU fuel from coal to gas. Currently, coal is an unrivaled fuel in the EU in electricity generation. Despite the economic slowdown, European gas prices remain stubbornly high due to the oligopolistic nature of the gas supply

In summary Mining Chamber of Industry and Commerce calls for an immediate withdrawal of the European Commission from the proposals to intervene in the ETS, including the structural changes of the system.

Instead, we propose the Commission to carry out a thorough analysis of the functioning of the ETS, that would take the account of the situation in all member countries and in sectors and industries at risk of "carbon leakage". Then an international debate should take place that would end up with arrangements regarding the global climate policy after 2020. Only then one can discuss about the instruments that would generate reduction of greenhouse gas emissions to achieve levels commonly agreed upon .

With regards

Janusz Olszowski



President

Mining Chamber of Industry and Commerce