

Consultation on review of the auction time profile for the EU Emissions Trading System (ETS)

GDF SUEZ answer

GDF SUEZ welcomes the opportunity to answer the European Commission's consultation, which seeks to collect views from stakeholders and experts in the field of European carbon market 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 back-loaded.

GDF SUEZ is deeply committed to taking action on climate change. The Group notably believes that the EU ETS should play a central role in EU energy and climate policy. The EU ETS constitutes the right instrument to ensure emissions reductions in European industry at the lowest cost. It is furthermore an important driver for the modernisation of the EU economy, through directing investment and innovation to low carbon technologies with the greatest potential for "green economy".

1. GDF SUEZ position on ETS reform

The credibility of the EU ETS is now at stake with a carbon price so low that it does not represent a valuable price signal. Therefore, GDF SUEZ supports a strengthened European CO₂ market to correctly price emissions reductions. To achieve this goal the Group supports a two-folded policy response, that should at the same time improve the necessary long term visibility and ensure a stable and predictable investment framework required for the industry:

a. Long term measures

GDF SUEZ believes that confidence in the carbon market can only be enforced through long-term, structural measures. Therefore, the Group asks for **an open and inclusive debate involving all stakeholders on the necessary level of ambition for the EU ETS in 2030 in view of 2050 targets**, as a long term commitment should support the price of CO₂ through the banking feature included in the EU ETS. As a principle, the Group supports **EU-wide harmonized approaches**, such as the EU ETS.

At EU level, the Group is calling for a coherent policy by coordinating the objectives of various measures impacting the CO₂ price (e.g. energy efficiency and renewable energy). The EU ETS should be "the" instrument to incentivize low carbon investments in the industrial sector. Technology-specific deployment targets should be avoided.

b. Short term measures

Given the current state of the market, GDF SUEZ supports a “one shot” short-term measure to give an immediate signal for investors and restore confidence in the system. **GDF SUEZ therefore supports a set-aside of an appropriate amount of allowances (1.2 billion tons or more) of allowances in order to ensure a balanced demand and supply in the carbon market and give correct signals for low carbon technology investments, including a permanent removal of these allowances, either through cancellation at a later stage or adjustment of the 2030 cap.**

2. Back-loading proposal of the Commission

In view of the above, GDF SUEZ believes that a **temporary “back-loading” is not sufficient to stabilize the market functioning in the longer term. It could be** a first step in the right direction as far as it is followed by **more permanent and structural measures**, to be defined after consultation of the stakeholders, as a part of a more comprehensive package including long term targets.

Nevertheless, GDF SUEZ considers that the **proposal for a Decision** (COM (2012) 416) amending Directive 2003/87/EC, intended **to strengthen the legal basis for market intervention**, opens the door to repeated interventions, and in fact, increases market uncertainty. We advocate for a more structural measure that would clearly define the possibility of intervention relying on predictable and transparent parameters. At least the initial proposal : “The Commission shall, **where appropriate**, adapt the timetable for each period so as to ensure an orderly functioning of the market.” should be amended, such as : “The Commission shall, **in exceptional circumstances of extreme and temporary imbalances between supply and demand**, adapt the timetable for each period so as to ensure an orderly functioning of the market.”

On the **specific back-loading profile**, GDF SUEZ believes this measure alone will not provide for sufficiently stable carbon pricing, as is clearly shown in the Commission Staff Working Document SWD(2012)234; it will increase price volatility over the period if there is no guarantee that EUAs will be permanently removed from the market. **Hence the back-loading profile should take into account both the issue of permanent removal of those EUAs from the market, and the emissions reduction target in the medium and long term.** This should be reflected in the Commission Staff Working Document SWD(2012)234. **GDF SUEZ believes that the amount of allowances permanently removed from the market should lie at the upper end of the SWD scenarios, i.e. close to 1.2 bn or more, to reflect the oversupply of the market.**

GDF SUEZ hopes that long term issues will be tackled in the forthcoming report on the functioning of the EU ETS market and that the back-loading proposal will be duly complemented by more structural measures, with an impact assessment clearly showing their benefits.