

Response to public consultation on structural options to strengthen the EU Emission Trading System

We enable others to be sustainable

The member companies of the Swedish Plastics- & Chemicals Federation (P&K) innovate and manufacture resource efficient products and solutions that are essential to almost all value chains, thus enabling the sustainable development in the society as a whole. The activities of the member companies are important to the welfare of our society and employment. Our member companies compete on the global markets and are in general energy- and capital intensive.

The formulated problem

In conclusion the Report proposes intervention in the market based ETS system because the price of CO₂ is regarded to be too low and does not generate enough revenue to Member states. As the set out emissions reductions objective is guaranteed to be fulfilled in 2020 interventions with the sole purpose of making the cost burden of industry heavier can not be accepted. The task of a cap & trade system must always be to achieve emissions reductions at the lowest cost.

The structural options proposed in the Report

Climate change is a global challenge and can only be solved on the global level. The EU can make a difference in fighting climate change but only by providing opportunities attracting investments, growth and competitiveness. Any scheme less than that will be counter productive to the industry, welfare in society and not the least; the climate.

Option a. Increasing the EU reduction target to 30% in 2020.

The conditions to increase the target according to the ETS directive are not met.

Option b - c. Retiring a number of allowances in phase 3 and Early revision of the annual linear reduction factor

This will fundamentally alter the conditions previously set for the ETS system and is not in line with the legal expectations of the industries involved. Introducing these options will also seriously damage the credibility of the ETS system.

Option d. Extension of the scope of the EU ETS to other sectors

Ideally, having a global ETS involving all major players and enabling a level playing field for EU industry with their global competitors would strengthen the cap & trade system. However, as we are far from such a situation, any partial extension to the ETS system may have serious effects on the competitiveness of energy intensive industries. Therefore these aspects must be thoroughly investigated prior to any extension.

Option e. Limit access to international credits

When cost efficient emissions reductions can be made in developing countries, actions in order to prevent them to materialize can not be in line with a sound climate strategy.

Option f. Discretionary price management mechanisms

This option is in contradiction with the whole concept of a cap & trade system. Such a system can not have any credibility as a market based mechanism.

The P&K welcome the discussion on post 2020 ETS. We believe we can contribute to this important discussion. However, we oppose to any intervention during the present trading period as interventions in this set framework would create uncertainty and act negatively on investments in industry.

The Swedish Plastics- & Chemicals Federation

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