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This consultation has been submitted to [clima-auction-backloading@ec.europa.eu](mailto:clima-auction-backloading@ec.europa.eu)

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

The Danish Agriculture & Food Council would like to thank the European Commission for the opportunity to provide our views on the draft for a future amendment of the Commission Regulation (EU) NO 1031/2010 (Auctioning Regulation).

The Danish Agriculture & Food Council firmly supports the EU Emissions Trading System (ETS) which, in theory, ensures cost-effective greenhouse gas abatement across the European Union Member States. DAFC therefore generally welcomes any proposal which aims to maintain and improve the functionality and sustainability of the ETS. With regard to the current situation in the ETS market, we also understand the sentiment that there could be a reason to call for a course of action.

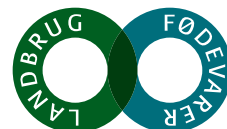
However, the ETS is fundamentally a market-driven system, and in order to enhance the functionality of the market, it is also important to maintain the integrity of it. Participants in the market, including the members of the DAFC encompassed by the ETS encompasses, should be able to invest without risk of continual political interference. Therefore, given the three different models presented in the Commission's review, the DACF will recommend backloading the smallest amount of quotas (400 million tonnes).

We also fear that choosing another model will provide a false impression that backloading in itself will solve the current issues in the system. We do not see that this will be the case. Rather, what will help the ETS, as well as the greenhouse gas abatement and green growth in Europe, is a broader debate on the 2030-targets. Settling the long-term goals will help focus the political signals (in terms of decarbonisation) that the carbon market is looking to reflect. Furthermore, debating policy - what do we want to achieve with the ETS - rather than 'technical fixes' is in itself preferable. It would make for a more transparent way of conducting policy, and it would therefore most likely be better for enhancing the market participants' trust in the long-term sustainability of the carbon market. We therefore believe 2030-targets will be a much better suited policy tool in order to improve the overall viability of the EU ETS than merely backloading a certain amount of quotas. There is also a risk that backloading a large amount of quotas will cause the ETS to break down at a later stage when the quotas eventually return to the market.

The DAFC hopes that the Commission will help initiate the broader 2030 debate in a short while. There will be plenty of questions that need to be addressed, e.g. how to share the burden between ETS- and non-ETS sectors, what to do with LULUCF, and how to advance renewable energy targets beyond 2020. We look forward to engaging in fruitful discussions with the Commission in this regard.

**The Danish Agriculture & Food Council** is a trade association representing agriculture, the food and agro industries. With annual exports in excess of DKK 100 billion and with 145,000 employees, we represent one of Denmark's most important business sectors.

Through innovation and promotion of the industry's contribution to society, we work to ensure a strong position for our members in Denmark as well as in international markets.



Sincerely

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