



ROYAL NORWEGIAN MINISTRY
OF THE ENVIRONMENT

The Minister

Commissioner Connie HEDEGAARD - Climate Action
European Commission
B-1049 BRUXELLES
BELGIUM

Your ref

Our ref

12/3279

Date

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

Participation in the EU ETS is an important part of Norwegian climate policy. I therefore appreciate initiatives from the EU-Commission on measures to increase prices of European CO₂ allowances. The very low price level that we have seen lately in the EU ETS market should be addressed in a proper manner as soon as possible. As the Staff Working Document illustrates, without new measures we would expect low price levels throughout Phase 3 of the EU ETS.

The price level should be increased to trigger structural changes and enhance technology development. This may help the transition to a low carbon economy. 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.

Norway therefore supports the option with the largest change in the auctioning time profile, which would see the auctioned amount reduced by 1.2 billion allowances in the first 3 years of phase 3. Back loading of auctioning will however have little influence on prices and no influence on emissions in the long run. To ensure a higher price level throughout phase 3 and beyond, Norway firmly believes that structural measures will also have to be implemented, such as retiring permanently an appropriate amount of allowances from the System.

We would be happy to discuss these issues further with the EU Commission.

Yours sincerely,

Bård Vegar Solhjell