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To the European Commission

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Finnish Energy Industries' opinion on the proposed changes to the EU ETS

Finnish Energy Industries is the voice of 250 member companies that produce, acquire, transmit and sell electricity, district heat and district cooling and offer related services. We represent over 100 TWh annual electricity and district heat production in Finland.

Carbon neutral future requires stable policy

Finnish Energy Industries is committed to its vision of carbon neutral electricity and district heat for 2050, which can be reached through consistent and predictable climate policy, providing long-term drivers for the industry. We see a market-based EU ETS as the key instrument to low carbon future in the covered sectors. Artificial and unfounded intervention on a functioning market should be avoided.

Milestones for long term targets needed

For the ETS to give incentive in the long investment perspective, its continuation and post 2020 targets should be decided now. A target for 2030 should be in line with the 2050 goals. A target set for the future will also have an immediate effect on the market.

Overlapping policies to be removed

In order to safeguard the currently otherwise functioning ETS and its cost efficiency, overlapping policies and other climate-related targets undermining the allowance market should be eliminated. Impacts of both national RES support schemes and economic recession on the allowance surplus should be assessed when discussing a structural reform. There should be more coordination between the EU institutions to strengthen the ETS. A stronger ETS would in turn help avoiding distortion by incoherent national policies. To address the climate issue, low-cost abatement should remain primary objective of the ETS over auction revenue and promotion of renewable energy.

Structural changes to be considered first

Finnish Energy Industries would rather focus on strengthening the ETS by a well-considered structural reform than a short-term intervention and does not support the backloading. However, if there is a backloading, its amount and schedule should be designed to make the transition towards the 2030 target smooth. Our members have split views on the short-term solution and some companies favour the backloading or even a permanent set-aside for boosting the price signal.

In any case, a backloading as an exclusive measure would not improve the ETS and should only be seen as a possible supporting measure for a structural reform. These should be on the table simultaneously. We call for further analysing for example the option of tightening the linear emission reduction factor from 2021 to meet the long term targets. Forward-looking possibilities may also be found in expanding the ETS to new sectors like transportation or heating and cooling of buildings. Any future changes should be made public as early as possible to allow the market to start reacting already today.

More specific definitions for the amendment

The proposed amendment in the ETS directive should be complemented with adequate definitions for 'exceptional circumstances', 'as appropriate' and 'orderly functioning of the market'. For the sake of certainty in the market, we also call for transparency on the expectance for future intervention.

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