



ROTTERDAM.CLIMATE.INITIATIVE

Rotterdam, 4 October 2012

To: Mrs C. Hedegaard  
The EU Commissioner for Climate Action

From: Mr Hans Smits  
Vice-chair of the Rotterdam Climate Initiative  
President of the Rotterdam Port Authority

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

Dear Commissioner Hedegaard,

The Rotterdam Climate Initiative, a coalition of the Port of Rotterdam, the City of Rotterdam, employers' organization Deltalinqs, and DCMR Environmental Protection Agency Rijnmond is aiming to achieve a 50% CO<sub>2</sub> reduction target in Rotterdam by 2025 as compared to 1990. As a front runner in the Dutch national climate action approach we experience that the sustainable transition is being slowed down dramatically by the historically low CO<sub>2</sub> price in the EU ETS. EU ETS now offers no drivers to invest in Energy-efficiency, sustainable energy and CCS. A change is needed. We therefore submit our input via this letter on the public consultation that 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).

Since the start of the EU-ETS system CO<sub>2</sub> prices have fallen steadily. Current CO<sub>2</sub> prices (EUAs) within the EU-ETS are very low, about 9 €/ton.

A set-aside or back loading of EUA's (i.e. not placed in the market) would help remove the current surplus compared to the expectations on which Phase III of the ETS was actually adopted. This would help to restore the ambition level, or scarcity in the market, as originally intended. In view of the very low CO<sub>2</sub> price and the "abundance" of emission rights on the market it is logical to withdraw a large amount, 1,2 Gt of CO<sub>2</sub>, from the market. We suggest to make this withdrawal permanent and not to "back load" these emission rights in a later stage.

In order to achieve a stable significant EUA price clear unambiguous signals are to be sent "to the market". Apart from the set aside there is also a necessity for setting a long term cap for the total amount of EUA's available that is in line with the Low-Carbon Economy Roadmap volume trajectory for an 88%-91% reduction of CO<sub>2</sub> emissions from ETS sectors between 2005 and 2050. The wider reform of the ETS should also include the setting of a cap for 2030 and possibly 2050 across all sectors.



ROTTERDAM.**CLIMATE**.INITIATIVE

This will give industry the necessary impetus to develop sustainable energy solutions and move CCS through demonstration and into widespread deployment to reach the EU's ambitious, but necessary, climate and energy goals.

On behalf of the partners of the Rotterdam Climate Initiative.

Sincerely yours,

Mr Hans Smits

Vice-Chair of the Rotterdam Climate Initiative  
President of the Rotterdam Port Authority