

European Commission
Directorate-General Climate Action
Unit B1 – Implementation of ETS
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Consultation on review of the auction time profile for the EU ETS (backloading) in the 3rd trading phase

Swedenergy is the united voice of Swedish power industry. Swedenergy is representing companies involved in the production, distribution and trading of electricity in Sweden – with a total of 171 member groups.

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EU ETS should be the main driver for cutting emissions

Swedenergy believes that the EU ETS should become the main driver for cutting GHG emissions in line with the EU's commonly agreed long-term climate objectives. EU ETS assures that emissions are reduced in a cost-efficient manner within the sectors covered by the system in the EU.

Swedenergy would have preferred decisions taken on EU ETS to be unchanged since this in a more credible way would have showed the actors in the market that the role of the regulator is limited to set up the framework for the market and that the role of the market actors is to establish a price.

An early decision on a 2030 target for climate change, together with a revised annual reduction factor in EU ETS, would help to increase the credibility of the EU Climate Change Policy and to provide the business society with visibility on the ambition levels aimed for beyond 2020 and thereby create incentives for long term investments in low carbon technology.

Short term measures may however also be necessary to increase the credibility of EU ETS and to avoid introduction other, less cost-efficient measures, to rule out the role of EU ETS.

Increased policy coherence is essential



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In order for EU ETS to become the main driver in climate policy a smooth transition from support schemes for renewable energy towards a CO₂-price driven approach is necessary. Financial support measures to increase the share of renewables or improve energy efficiency within the trading sectors will reduce the effectiveness of the EU ETS and should therefore be avoided. Awareness of how measures for energy efficiency and increasing the share of renewable energy impact the CO₂-price in EU ETS as well as functioning of the electricity market is necessary when developing future policies.

A single, coherent process of EU decisions on post 2020 climate change and energy policy is necessary. Lessons should be drawn from experience in the past and in particular the difficulties to predict what is an appropriate and over time robust balance between interlinked objectives with a view to create a simpler framework and avoid that policies are undermining each other.

A permanent set-aside is preferred over simply backloading

The backloading of the auctions in Phase III as suggested by the Commission could have a positive impact on the EU ETS if combined with a more permanent measure, such as a permanent set-aside/cancellation of backloaded allowances. The permanent set-aside could be done either before or just after 2020.

Swedenergy believes that the backloading only will have a limited impact on the EU ETS and must therefore be linked to a more structural reform. While just reshuffling the supply from auctioning within the period have no effect on the overall supply and demand balance, it is still a political signal.

Backloading should be a one-time measure

Swedenergy believes that the proposal from the Commission on changing the EU ETS Directive which aims at giving the Commission an explicit mandate to change the timetable for auctioning within a trading period, is way too open. This proposal would give room for the Commission to be an active part of the market by changing the auction calendar every now and then. It is very important to avoid this kind of arbitrariness in order to ensure regulatory stability and have the market functioning properly.

Swedenergy believes that, in principle, it is not justified to change the longterm allowance cap trajectory in response to changes in the economic activity and the fluctuations in emission levels which are associated with that. The EU ETS can typically manage cyclic phenomena and the possibility to carry forward allowances and hedge against future prices. Therefore, re-occurring political interventions in the cap-setting on basis of the general economic development should not be required.

It is also important to keep in mind that today's large surplus in the EU ETS market is not only a result of the economic downturn. First, the overall limit on offset credits has been fixed on basis of what was believed to be 50% of an estimated effort to reduce emissions by the EU ETS sectors, Obviously, the BAU emissions trajectory and thus the expected effort quickly became outdated. But with a fixed limit on offsets, it was only the demand for intra-EU reductions that took the hit and caused EUA prices to drop. Second, the policy incoherence in the 2020 framework has made more costly renewable

energy and energy efficiency policies to dominate this transition, thereby making EU ETS superfluous.

Given that these aspects are managed in a different way when framing the post-2020 policy framework there should be no need for repeated sudden adjustments of the EUA auction volumes in the future.

Size and distribution of backloading

Swedenergy has today no position on which precise amount of backloaded allowances would be the most appropriate. There are several factors which could be considered.