

Response by Fedil- Business Federation Luxembourg to the Commission consultation on structural measures to strengthen the EU Emissions Trading System

Fedil – Business Federation Luxembourg and its members believe that the primary role of the EU is to ensure the competitiveness of its industry. This is why **Fedil supports the drive for a forward-looking integrated EU industrial policy**. Improving energy efficiency and environmental performance play an important part in making industry more competitive and better equipped to face global competition. The EU ETS, originally designed to achieve a significant reduction in CO2 emissions in the most cost-effective manner, combined with effective measures to prevent carbon leakage, remains in our opinion the best way to achieve our climate targets.

However, the increasing isolation of the EU position in a global policy context, combined with an economic crisis of unprecedented proportions has exposed fundamental flaws in the Emissions Trading System. Ex-post allocation of quotas based on historic production has been the root for the excess allowances in the system, as real production significantly dropped as a result of the crisis. In fact, **European companies are rewarded for producing less and for producing outside of the EU.** The current system is nothing more than an incentive to deindustrialize. The EU ETS has in itself not brought any significant improvements in environmental performance.

Neither the current “backloading” proposal by the European Commission, nor the options proposed in the State of the carbon market report 2012, addresses this fundamental flaw. This is why we ask for an in-depth structural reform of EU energy and climate policy, in order to create the right framework to make European industry more competitive. What industry needs is a real incentive to invest in more efficient technology. Therefore it needs a long-term perspective and an assurance that its efforts to produce in Europe will be encouraged.

Short-term fixes to the CO2 price only contribute to increasing the uncertainty and the burden on companies and therefore must be avoided.

Fedil- Business Federation Luxembourg welcomes the forthcoming debate in order to find a solution to the EU’s competitiveness problem with an efficient climate and energy policy as a supporting factor.