



16 October 2012

Review of the auction time profile for the EU ETS

The 3rd Trading Period of the EU ETS starts on 1 January 2013. Also, GHG emissions in the EU-27 have fallen, and the Union is on the right track to meet its objectives in terms of GHG reductions. Nonetheless the European Commission still presented on 25 July 2012 its plans for further intervening in the carbon market. The Commission proposes postponing the auctioning of a certain volume of allowances from 2013-2015 towards the end of phase 3. (“backloading”). The long term price impact of this measure is expected to be very limited, but new uncertainty is added to the EU ETS for sure.

The two proposals consist of an amendment to the EU ETS Directive providing the Commission with a legal basis for amending the Auctioning Regulation to change the auction time profile. DG Climate Action also announces more structural measures depending on the outcome of the first Annual Review of the EU ETS to be published later this year. The conclusions of this review may lead to yet another set of proposals that may fundamentally modify the policy framework for 2013-2020.

The European Commission has invited all stakeholders to submit their position by 16 October.

Position of the European Lime Association (EuLA):

As a matter of principle and common practice, the European Commission should respect its mandate given by the current EU ETS Directive adopted by the Council and the European Parliament. Under the current provisions of the Directive, the Commission is not entitled to amend the Auctioning Regulation and to change the timeline and volumes of allowances to be auctioned in order to try to limit the total absolute Union-wide quantity of allowances. Changing the agreed GHG emission reduction targets by any kind of intervention including “setting aside” allowances, or by adjusting the auctioning timeframe (backloading), is a very delicate issue with great impact on the industrial economic tissue of each of the EU Member States.

Therefore, any amendment to the EU ETS Directive that gives the Commission the competence of deciding unilaterally, or by comitology, when and how an intervention in the carbon market is required, is equally questionable. Far from being a “technical” adjustment, an intervention in a financial market is a significant political decision and cannot be made without an open and thorough debate involving all institutions and stakeholders and an appropriate impact assessment.

The proposed intervention in the carbon market comes only a few months before the start of the 3rd Trading Period (on 1 January 2013) when even the Commission’s assessment of the EU ETS is yet to be published. Also given the current harsh economic times, and in the absence of an international climate agreement, EuLA urges the Commission to keep in mind the competitiveness of EU industry and to ensure, at least, legal predictability up to 2020; while starting to focus in a transparent way on the post-2020 framework.

EuLA, the European Lime Association, represents about 95% of the European lime production through its 21 national member associations. The European lime sector operates around 600 lime kilns in the EU, producing in total around 28,4 million tons of lime and dolime; and contributing around € 2,5 billion to Europe’s GDP. More information on www.euLa.eu