

COGEN Europe Position Paper

Comments on the two European Commission proposals¹ issued on July 2012 with regard to the 3rd phase of the Emissions Trading System (Directive 2003/87/EC)

15 October 2012



COGEN Europe, the European Association for the Promotion of Cogeneration, supports policies that lead to a greater use of lower carbon solutions and in particular the aim of having a well-functioning carbon market.

In Europe in the past decade, due to various economic and legislative developments affecting their business environment, the total installed capacity of CHP plants above 20 MW² has barely grown.

For CHP developers and operators, one of the identified factors is the ongoing failure of the Emissions Trading System to provide the necessary stable and long term market signals. CHP plants are long-lifetime investments whose superior advantages in terms of energy efficiency are counter balanced by higher upfront costs (also translated into higher risk and more difficult access to capital).

Our sector believes that the Commission's proposals issued in July 2012 neither give additional certainty to stakeholders nor will lead to firmer carbon market prices in the medium-long term horizons. As such, the new auctioning time profile will not guarantee a carbon price increase over the overall third phase (limited or no impact on the economics of CHP plants over "normal" installations). In addition, the proposals raise many questions on governance aspects, e.g. poor consultation of stakeholders, creating a precedent of adhoc intervention of the European Commission in a market

COGEN Europe looks forward to the publication of the Carbon Market report and its associated proposal in the coming weeks. The cogeneration sector strongly insists that the European Commission works on alternatives that provide less fluctuating and more predictable carbon prices in medium-long run.

¹ a) COM(2012) 416 final: proposal for a decision of the European Parliament and of the Council amending Directive 2003/87/EC clarifying provisions on the timing of auctions of greenhouse gas allowances;

b) Proposal for a Commission regulation amending Regulation (EU) No 1031/2010 in particular to determine the volumes of greenhouse gas emission allowances to be auctioned in 2013-2020.

² Cogeneration plants covered by the EU ETS represent about half of the electrical capacity of the total CHP market in Europe.