



27 February 2013

## CONSULTATION ON STRUCTURAL OPTIONS TO STRENGTHEN THE EU EMISSIONS TRADING SYSTEM

### Identification of the respondent

Confederation of the Finnish Industries EK (hereinafter "EK") is a stakeholder association representing all sectors of business and all sizes of companies in Finland:

- 27 member federations
- About 16,000 member companies, of which 96 % SMEs
- Over 70 % of Finland's GDP
- Over 95 % of Finland's exports
- About 950,000 employees
- member of BUSINESSEUROPE

The respondent agrees to have the response to the consultation published with other responses.

Contact person of the respondent:

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### Response to the consultation

EK shares the views presented by BUSINESSEUROPE and refers to its consultation response. EK points out the following comments:

- EK is against any intervention or the change of the already agreed rules of the EU ETS 2013-2020.
- Changes to phase 2013-2020 would diminish predictability for companies and cause uncertainty in their investment and operating environment. They also will increase the costs of all energy users in Europe.
- EU should focus on the energy and climate policy 2030 in line with developments in international climate policy.

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Finnish business sector has followed the discussion on the changes of EU-ETS with growing concerns. The third EU ETS phase with new elements as benchmarking and auctioning has functioned only two months. Finnish business emphasizes the need to maintain the ETS rules 2013-2020 as they agreed in a long legal EU-process.

EK sees that the six options presented in ETS report shall not take in action during the present phase 2013-2020. In the context of EU energy and climate policy 2030 the need and content of the possible fourth ETS phase post-2020 will be discussed and decided. The development elements of this possible fourth ETS phase cannot be restrict to these six options, but a wide consultation of stakeholders will then be needed.

A market-based mechanism was chosen to reduce CO<sub>2</sub>-emissions in industry and energy production as cost-effectively as possible. The ETS-sector will achieve the CO<sub>2</sub> reduction target in 2020, which is widely acknowledged. So, for instance the possible permanent withdrawal of allowance means that the target will tighten only in ET ETS sector by 2020. This cannot be acceptable, because there is no sign of international progress in climate issues.

The main principle of EU ETS is the flexibility of price in the different economic situation. As the price of allowances fluctuates according to demand, a decrease in prices during recession is natural because emissions have gone down. This also helps to diminish the cost burden of European industry for instance. It is very risky to raise the cost of European energy users by this kind of political decision. The increase in energy cost weakens the global competitiveness of European companies, since the commitment by EU to the emissions trading scheme is unilateral. This increase in energy cost is caused by the cost of emission allowances transferring into the price of energy, thereby also raising the cost of all energy users. The European companies are still facing very difficult time, and the recovery of economy is hard to reach.

Predictability and credibility are the most important elements in the carbon market like EU ETS. For the investors all kind of political intervention to the carbon market will create uncertainty and will hamper the decision-making of investment.

EK is against any intervention or the change of the already agreed rules of the EU ETS 2013-2020. Such changes would diminish predictability for companies and cause uncertainty in their investment and operating environment. Instead of trying to make the unjustified changes, the EU should focus its efforts on the energy and climate policy 2030 in line with developments in international climate policy.