



16 October 2012

CONSULTATION ON THE CHANGE OF THE AUCTION TIME PROFILE

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.

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Response to the consultation

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

Finnish business sector has followed the discussion on the changes of EU-ETS with growing concerns. The new EU ETS phase will begin in a less than three months. Finnish business emphasizes the need to maintain the ETS rules as they agreed.

A proposal to amend the ETS-directive to allow the changes in auctioning timing is processing now in European Parliament and Council. According to the proposal the Commission shall, where appropriate, adapt the timing in each period. Also, the Commission has published a draft of change of auctioning regulation and a staff working paper to introduce so-called backloading of allowances. This means that auctioning of even 40 % of the allowances will be postponed from the 2013-2015 to later years. The risk of similar interventions will remain in phases to come.

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At the same time the long-term actions including permanent withdrawal of allowances is in preparation in the Commission.

A market-based mechanism was chosen to reduce CO₂-emissions in industry and energy production as cost-effectively as possible. The ETS-sector will achieve the CO₂ reduction target in 2020, which is widely acknowledged. So, 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 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. That would diminish predictability for companies and cause uncertainty in their investment and operating environment. Instead of trying to make the "last minute" changes, the EU should focus its efforts on the period beyond 2020. This should be done in line with developments in international climate policy.