



Att.:
European Commission
Directorate-General Climate Action
Unit B.1 – Implementation of ETS
Avenue de Beaulieu, 24
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Belgium

Remarks from Confederation of Danish Industry on “Consultation on structural options to strengthen the EU Emissions Trading System”.

Key message: *The proposal is welcomed by DI and should be considered as one input out of many needed (and already expected this spring) to carry EU’s energy- and climate policy further. The three original objectives of EU’s energy- and climate policy should be reinforced, and not ignored. The policy should support a strong European industry base across sectors. The policy should support efforts to reduce internal distortions in Europe and to establish an internal energy market. DI looks forward to begin a thorough dialogue about EU’s energy- and climate policy towards 2030. DI underlines that Europe’s industry with its many sectors is part of an energy- and climate policy. Therefore a broad stakeholder dialogue, which includes a balanced focus on climate, energy security and competitiveness, is needed.*

Europe is today challenged by very high energy costs compared with competing regions – and by a need to attract new investments across sectors. Time is right to initiate thorough discussions about the objectives and the functionality of EU’s current and next generation energy- and climate policy. The current policy was designed before the economic crisis and with objectives to support the international efforts to combat climate change, support EU’s energy security and to support EU’s competitiveness.

DI believes that EU’s emission trading system is an important part of EU’s energy- and climate policy. The system delivers cost-efficient, market-based CO₂-reductions within the given political ambition level. It is supplemented by national renewable and energy efficiency instruments. It is today not a standalone mechanism, but part of a larger picture.

EU is currently discussing the Commission’s proposal to backload auctioning of allowances above a level that the market itself has set. This is not because the EU does not wish to meet the politically decided climate targets, but rather a desire to control the ETS carbon price on a very short time horizon. The state of the European carbon market 2012 report from November 14th, 2012 bring forward proposals to further improve the functioning of EU’s emission trading system.

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DI has a several remarks to add to the debate:

- DI wants to maintain an EU-wide harmonised and functioning EU ETS as a cost-effective instrument to reduce emission of green-house-gasses. The EU ETS is not a price-control instrument but a quantity-control system, which will meet the political agreed target.
- DI opposes the recent debated standalone, cost-increasing proposal. Such a measure is a clear cut example of a counterproductive “stop-and-go” intervention that will damage the efforts to attract new investments to Europe.
- The proposals from the Commission do not include the interactions between the current EU energy- and climate instruments. Also it does not unfold the 2030 perspective; on the contrary it seems mostly focused on short term initiatives.
- Option 1-3 will de facto change the EU’s climate ambition in 2020. It will significantly increase the energy costs of European companies and households without offering any other ways to reduce the overall energy- and climate costs in the EU. And it will push only one of the energy- and climate policy’s three objectives.
- Option 4-6 on the other hand, is part of the carbon market report that more directly addresses basic structural considerations. There are indeed still other options to look into, and the following consequences to other parts of EU’s energy- and climate policy should be included in the picture. Too many regulatory layers and cumulative cost drivers are not helpful for EU’s efforts to reach the original three objectives.
- A solid review on how EU’s current policy instruments can be designed coherently onwards, with 2030 as a milestone as part of a long-term trajectory, is needed. ETS, renewable development and energy efficiency efforts must be part of a more integrated and robust framework with a better balance between instruments, EU- and national initiatives. DI can only support the same messages from BUSINESSEUROPE and many other national confederations throughout Europe.
- A wider scope for assessment of carbon leakage effects on industrial sectors is needed. A compensation regime should be an integrated part of the ETS like the direct cost compensation regime.
- An EU framework anchored in and recognizing the future of the international and regional context regarding energy markets, energy security, product- and technology diffusion, and climate change debates, is needed.

- An operational and transparent roadmap on needed political action to develop the next generation of EU's energy- and climate policy is needed. Such a roadmap should include close dialogue with the business community.

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