



**THE POSITION PAPER**  
of Forum of Electricity and Gas Receivers  
on the *Report from the Commission to the European Parliament and the Council*  
on *The state of the European carbon market in 2012.*



As the association of the energy consuming industry in Poland, representative of participants in the European Union Emissions Trading System, we would like to contribute to the public consultation on structural changes proposed in the DG CLIMA report on the *State of the European Carbon Market in 2012.*



As stated in the Commission's report, GHG emissions have been reduced by 10% since the second phase of the system has been introduced. Thus we believe that the system has succeeded, as a market-based mechanism to reduce emissions of greenhouse gases in a cost-effective and an economically efficient manner. Moreover the EU ETS meets the expectations of creators of ETS Directive as a cost-effective system of emission reduction.



Therefore, we are strongly against the position of the European Commission that the functioning of the system is in danger of efficiency of operation by the alleged oversupply of allowances in the market. Moreover, we do not think it is possible to introduce any of the measures suggested by the European Commission without changes in the EU Climate and Energy Package as it is the result of a political consensus achieved between all of the EU Member States. Moreover, any additional reduction commitments in the EU should exclusively be applied upon the approval by the Community of an international agreement on climate change, according to Article 1 of the ETS Directive.



We express our belief that the basic rules of EU ETS functioning must be predictable and remain unchanged in long-term perspective. They cannot be broken in order to achieve short-term objectives such as generating additional income for some of the member states. This is particularly important in times of a financial crisis, when the economic activity should be considered as the principal tool to fight the crisis. Therefore, changes proposed by DG CLIMA report will be harmful for the business environment in the EU and will cause the further deterioration of EU competitiveness as a result of artificially increased operating cost for industry and the economy as a whole.





*It is important to underline that Polish energy consuming industry, which obtains energy mostly from coal, have carried out great modernisation efforts and significantly reduced greenhouse gas emissions in the past years. Therefore changes proposed by DG CLIMA ETS are extremely dangerous for Polish industry which hardly survive present EU climate policies. Instead of implementing artificial changes, the EU should conduct a thorough revision of the whole system to prove that its climate policy can be both beneficial for the environment and safe for the competitiveness of the industry.*

The European Commission believes that an “oversupply” of allowances exists, which reduce the potential EU ETS. We strongly disagree with such statement as the EU has reduced its emissions by 10% since the start of the EU ETS second trading phase and the EU is unquestioned leader in GHG reduction.

Solutions proposed in the report by the European Commission based on total disregard of the main objective of the EU ETS Directive which was the establishment of a cost-effective reduction of CO2 emissions. Any form of administrative intervention in the EU ETS should be perceived as a threat to the stability of the regulatory environment. Such interference is dangerous for European energy intensive sectors due to the higher energy prices and will discourage industry investors to develop their businesses in European Union.

The European Commission’s proposals do not distinguish the differences in technology and fuel mix that exist between the EU 15 and Eastern European Member States. This factor will have a tremendous impact on the competitiveness of particular Member States because the fossil based technologies will be the ones that will have to face the greatest operational costs increase (in comparison with other technologies) as a result of proposed changes to the EU ETS.

It is important to underline that the rise in the cost of energy will lead to social exclusion in Poland. The significantly higher costs that will result from the structural changes of the EU ETS will lead to further reduction of employment.

On behalf of Forum of Electricity and Gas Receivers we are strongly against any form of administrative manipulation in the EU ETS as we believe this is a method leading to a distraction and distortion of a functioning market based instrument.



Changes in the EU ETS cannot be proceeded in an unpredictable manner but only after conducting detailed analyses, debates and accordingly with the existing decision-making mechanisms in the EU. Moreover, any new reduction targets in the EU require a global agreement to deal with climate change. In addition, the Commission's proposal will increase the carbon leakage occurrence in the European countries outside the ETS and not within the EU jurisdiction. That will lead to an uncontrolled growth of greenhouse gas emissions and will greatly endanger many branches of EU economy.

Forum of Electricity and Gas Receivers strongly underline that before taking decisions on structural measures, the European Commission has to provide in-depth impact assessments and comprehensive economic analyses both from EU and the individual Member States perspective of all feasible and appropriate options. In this context, particular attention has to be paid to competitiveness aspects, long-term predictability of price developments and the cost-effectiveness of the future ETS.

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