

Dear Sir/Madam,

Being involved in the ETS at the time it was developed I like to contribute to the improvement of its implementation.

The success of the ETS to a large extent depends on (1) a significant price for EUAs and (2) an effective protection of the European industry against undue global competition.

A significant price for EUAs is necessary so that investments in reduction of greenhouse gases will result in a positive business case for the investors. Therefore the price of EUAs should be stable and gradually increasing. I suggest that it should be investigated whether certain practices used for controlling interest rates by the ECB could be applied for EUA-price development. As an example the number of EUAs auctioned by member states could be steered depending on the price that is realized in the market (feed-back mechanism).

Without an effective protection for industrial operators against undue global competition a significant EUA-price however will be detrimental for production and employment in the EU. As a consequence the ETS runs the risk of becoming politically unacceptable. Effective protection can be attained by supplying ample EUAs for free to operators, that do their utmost to reduce greenhouse gases. Operators that comply with high standards on emission per unit of production should get enough free allowances so that they are not hindered by high EUA-prices. Operators that reduce their emissions even beyond these high standards should get surplus EUAs. So all operators in the EU will be stimulated to focus on efficiency which also supports the EU-policy to become a most competitive area in the world.

In contrast to the present system operators should get allowances per unit of product that is produced. Allocation of allowances on the basis of actual production will simplify the ETS-system since there is no longer a need for complex rules to acquire historic date, capacity utilization, etc. At the same time it will prevent 'windfall profits' for operators that reduce their production and sell their EUAs instead.

I hope you will take into account my remarks and I am willing to support the further elaboration,  
yours sincerely,

Jan Berends

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