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Response to Consultation

Swedish Confederation of Enterprise on the structural options to strengthen the EU Emissions Trading System

Achieving a shift to a low carbon economy is a long term project. Now Europe is starting a debate about how to proceed beyond 2020. It is important to have an insightful and thorough debate on how to achieve a competitive low carbon economy and we welcome this discussion. A core issue for Confederation of Swedish Enterprise is how to make this transition while maintaining - or rather enhancing - Europe's competitiveness.

The Swedish Confederation of Enterprise is firmly against any propositions to interfere with EU ETS in order to raise the carbon prices by manipulating the carbon market before 2020. All the suggested measures in "The state of the European carbon market in 2012" are aiming at achieving this. It is not relevant to discuss these short term measures without starting with the overarching discussion on EU Climate and Energy Policy beyond 2020 and how this goes hand in hand with competitiveness and growth.

Our main considerations why we are against any short term interference in the EU ETS are:

- The goal of the EU ETS is to decrease carbon emissions in Europe within the trading system to a fixed level. There are no doubts that this goal will be reached. The system is market based ensuring that the most cost effective solutions are made first and the price is a result of the demand. The lower than anticipated price of carbon price is mainly due to the economic crisis with lower industrial production and lower demand for energy, together with support to renewable energy under the RES-directive. The EU ETS responds to this which is an evidence that the market based system is working as the market it was intended to be. The goal of 21 % to 2020 will in other words be reached in the most cost-efficient way.

- Hasty interference creates an insecurity regarding the stability of the European policy. This affects the investment climate for business negatively – if European policy makers can do this change now, what might not happen in the future?
- The EU ETS affects the whole economy through the indirect effect on the electricity price. To deliberately increase the electricity prices, in times of recession does not increase the competitiveness of neither companies nor citizens.
- Promotion of technology development and innovation in low carbon technology was never the primary intention of the EU ETS – complementary measures are therefore needed.
- The goal for EU ETS is not to generate revenue to the member states. Increased prices on allowances decrease the competitiveness of the European industry.

The Confederation of Swedish Enterprise would urge the Commission to, instead of doing short term adjustments in EU ETS, to focus on the discussion on energy and climate policy beyond 2020. We are therefore already welcoming the planned green book on energy and climate policy to 2030.

We have identified a six core messages that we believe has to play a central role in developing the energy- and climate policy beyond 2020:

- **A global climate perspective** is needed. The only long term way to solve the climate issue is to collaborate on a global scale. Therefore, progress on the global level is crucial and this has to be at the center stage of every new climate policy to come. A global framework for climate and a global price of carbon must continue to be the long term goal. At the same time Europe has an important work on decarbonizing its own economy. Though, it has to be put in its context that the EU emissions are around 12 % of the total global emissions and decreasing. If EU wants to be a leader, policies must be cost-effective and not harming growth. Long-term policy is essential for capital intensive investments. The policy suggested must therefore reach well into the future, at a foreseeable realistic pace.
- **Competitiveness and growth is crucial for Europe.** Europe is at a challenging time with an ongoing economic crisis and increased global competition. In coping with this enhanced growth and competitiveness for Europe is a key. Neither the climate nor the European economy is benefitted by European industry moving to other regions. The climate and energy policy must therefore be executed in a way that promotes increased competitiveness and that welcomes industrial growth in Europe. The cost of any future climate policy in a global context must be in focus.
- **Energy is important for competitiveness and strongly affected by climate policies.** European Energy Policy objectives are to deliver reliable, cost efficient energy with low environmental impact. To find ways forward combining this with sustained or rather increased competitiveness is a key issue for European energy and climate policy beyond 2020. Europe can't afford substantially higher and more unsecure energy supply compared to other regions.

- **Sectorial considerations need to be made.** Starting points, the market conditions and the technical and economical possibilities vary a lot between different sectors in the economy. In theory harmonized legislation and uniform measures is most cost efficient, but as long as Europe is moving ahead alone sector specific considerations need to be taken.
- **Enhanced focus on Research, Development and Innovation is a win-win situation.** This will contribute to solving the climate issue, stimulate competitiveness and create new business opportunities.
- **Stimulate increased Resource- and Energy Efficiency is also win-win** – A resource efficient economy contributes to competitiveness and lower environmental impact. Resource and energy efficiency policy should be stimulating and carrot based, not limiting in its design.

The Swedish Confederation of Enterprise welcomes a debate regarding the future European Climate and Energy Policy, reaching beyond 2020. For this debate focus must be on how climate targets can be reached with maintained or increased competitiveness for Europe. This discussion must be based in a holistic view of how Europe can be a region with high competitiveness, high prosperity and high environmental ambitions.

Best Regards,

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The Confederation of Swedish Enterprise (Svenskt Näringsliv) is Sweden's largest and most influential business federation representing 50 member organizations and 60 000 member companies with over 1.6 million employees. It was founded in 2001 through the merger between the Swedish Employers' Confederation (SAF, founded in 1902) and the Federation of Swedish Industry (SI, founded in 1910). The Confederation of Swedish Enterprise is member of BUSINESSEUROPE.