

Consultation on the review of the European Union Emissions Trading System

Contribution of The Netherlands

We would like to thank the Commission for their actions regarding the functioning of the carbon market and the opportunity to share our view and first opinions at the beginning of the process to come to strengthening the EU ETS.

Both the Commission Staff Working Document on the surplus of allowances in the period up to 2020 and the Carbon Market Report show an accumulated surplus of emissions rights in the 2008-2011 period. They also show a rapid buildup of this surplus in recent years.

This growth and accumulation of surplus allowances is at threat for the orderly functioning of the market.

The buildup of the surplus and consequent decline in CO₂-prices since the beginning of last year, confirms for many the need for strengthening the system of emissions trading. The Netherlands concludes that there is a necessity for reinforcement of the ETS.

The Netherlands support the review of the auction time table (backloading). We hope a decision on this will be reached as soon as possible.

Structural reinforcement of the ETS is necessary in the broader context of the long-term path towards a low carbon economy in 2050. The Netherlands sees a tightening of the emission cap after 2020 as a key element in the reinforcement. This will result in a higher annual reduction factor of the ETS cap than the current annual -1,74%. A higher annual reduction corresponds best with the long-term path towards the 2050 climate goals.

The Netherlands also concludes that a combination of measures would be welcomed. In principle, The Netherlands is in favour of further expansion of the ETS - at least at the request of sectors. But first of all the ETS needs to be strengthened.

The measures that lead to structural reinforcement of the ETS should stimulate green investment and innovation whilst maintaining a level playing field in Europe. Thus, global climate agreements should take into account the impact on the international competitiveness of EU enterprises and the leakage of CO₂ (carbon leakage). Furthermore, to safeguard the level playing field within the EU, compensation for large consumers of electricity for indirect costs by ETS should take place at EU level and not at state level if there is a real risk of carbon leakage.

The Netherlands will be able to give a more elaborate view on the best options for structural reinforcement of the EU ETS by this Summer. Time is needed to give room for the national process which has started with the advisory and consultative body of employers' representatives, union representatives, independent experts and environmental NGO's to develop proposals aimed at strengthening the ETS. We also want to consider the results of ongoing research by the Netherlands Environmental Assessment Agency and ECN on options to strengthen the EU ETS.