

Joint Statement

A No Regret Measure for Europe's Decarbonisation Agenda - Assessing Policy Overlap Impacts on the EU ETS through the Regulation on the Governance of the Energy Union

A well-functioning emissions trading system is the cornerstone of a successful and cost-efficient EU energy and climate policy. The EU ETS has the capacity to provide a robust EU-wide price signal for investment in low-carbon technologies and to ensure the cost-efficient decarbonisation of the EU economy. The latest EU ETS reform is a good step towards tackling the challenges observed to date. However, a growing number of national and European policies with an explicit, or even an implicit, impact on the demand and rigid supply of carbon emission allowances (EUAs) may yet again lead to a prolonged period of low EUA prices. In spite of the latest reform this would raise doubts whether the EU ETS is fit for purpose. If the EU ETS is to play a central role in decarbonisation, it is a key priority to ensure consistency with other climate policies at national and EU level.

We believe that strengthened governance of the EU ETS, along with coherent and streamlined energy and climate policies, is crucial to allow for a robust, market-driven, carbon abatement price signal to emerge. We therefore believe that the EU Commission and Member States need to take a more active role in identifying and assessing the potential impact of such policy overlaps on carbon prices. This task should be approached via the EU Regulation on the Governance of the Energy Union ("the Governance Regulation").

To that end, CEEP, EFET and eurelectric welcome the European Parliament's proposed amendments on Articles 8, 25 and Annex I (in particular amendment 169 to Article 25¹) of the Governance Regulation. These amendments prompt the Commission to conduct an assessment of "the accuracy of Member State estimates of the effect of national level overlapping policies and measures on the supply-demand balance of the EU ETS, or, in absence of such estimates, conduct its own assessment of the same impact". In the final text adopted by the European Parliament in Plenary vote on 17 January, there are further specific references to the importance of monitoring and assessing policy overlap impacts.

It is to the detriment of EU consumers that the central role of the EU ETS in the EU's decarbonisation efforts is currently at risk. Monitoring and assessing the impact of policy overlaps on the EU ETS at EU and national level constitute no-regret measures to help the EU ETS play its role and deliver a reliable carbon price signal. A reliable carbon price signal would contribute to a level playing field in all Member States to achieve the decarbonisation objectives, promote renewable energy and increase energy efficiency.

We reiterate that our goal is not to restrict the ability of the Member States and the EU to pursue decarbonisation objectives through market based financial support for RES investment and harmonised standards to improve energy efficiency but to ensure the impact of these measures is managed in order to avoid prorogued oversupply of EUAs through adjusting their supply.

We are concerned that in the second draft of the four-column document, the proposed amendment is not reflected by the Council. We encourage the European Parliament to ensure that its proposals on overlapping policies' impact on the EU ETS are fully recognised by the European Commission and the Council and ultimately adopted in the final text.

¹ Other key amendments on policy overlap proposed by the EP are 21, 105, 168, 170, 201 and 264.

We therefore strongly call on the EU Commission and Member States to incorporate the aforementioned amendments proposed by the Parliament in the final text of the Governance Regulation.

EFET- The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent, sustainable and liquid wholesale markets, unhindered by national borders or other undue obstacles. We improve the operation of European wholesale energy markets and enhance the performance of traders and their support functions in those markets. We reinforce the markets' functionality and facilitate their liquidity and transparency

eurelectric- The Union of the Electricity Industry (eurelectric) is the sector association representing the common interests of the electricity industry at pan-European level. eurelectric represents 3,500 companies across Europe with an aggregate turnover of €200 bln. It covers all major issues affecting the sector, from electricity generation and markets, to distribution networks, customers, as well as environment and sustainability issues.

CEEP- European Centre of Employers and Enterprises providing Public Services and Services of general interest (CEEP), is the European umbrella organisation representing employers and enterprises providing public services and services of general interest, including energy providers. Recognized as a cross-industry EU Social Partner, CEEP's membership employs more than 30% of the EU workforce and includes small and big energy utilities, both public and private companies, representing the broad picture of the European energy mix.