

18 November 2015, by Karl Vella

## **EURELECTRIC PUBLICATION REACTS TO COMMISSION PROPOSAL TO REVISE EU ETS DIRECTIVE**

***Following the [response to the public consultation](#) on the revision of the EU ETS which EURELECTRIC submitted in March, today EURELECTRIC published a [position paper](#) reacting to the European Commission's legislative proposal on the revision of the EU ETS Directive which was adopted on 15 July as part of the Commission's "Summer Package". At the time, EURELECTRIC had welcomed the publication of the proposal to strengthen the EU ETS as it puts the EU on course to take important steps on the path towards the decarbonisation of the European economy.***

In its position paper, EURELECTRIC states that the success of the reformed EU ETS will depend on ensuring full consistency and coherence between the elements and targets of the 2030 Framework, as well as developing an adequate governance framework which enables the achievement of these objectives. EURELECTRIC expresses support for market-based solutions to achieve the EU's climate & energy policy objectives with the EU ETS established as the main policy instrument to provide incentives to reduce greenhouse gas emissions, improve energy efficiency on the supply side and to invest in low carbon technologies.

EURELECTRIC supports the revision of the EU ETS annual linear reduction factor in the range of 2.2% for Phase IV of the ETS (2021-2030), in line with the 2050 decarbonisation objective and the 2030 Climate and Energy Framework. If, subsequent to the COP21 Conference in Paris, the EU decides to go beyond a 40% GHG reduction target for 2030, we believe that, with the current surplus in the market, there is potential to achieve further ambition under the EU ETS up to 2030. However, the non-ETS sectors should also contribute in a balanced manner to any increase in ambition. During the last Environment Council in October, several EU Environment Ministers also called for a review of the EU's 2030 GHG emission reduction goals in the event of a successful outcome from the COP21 Conference in Paris. This raises the prospect of deepening the 40% reduction target or changing plans to give free allowances to industry.

EURELECTRIC believes that free allocation of allowances for certain ETS sectors should be continued in Phase IV. We support the explicit definition of the share of auctioning in line with the October 2014 European Council conclusions, which state that this should not be reduced compared with Phase III. The list should cover only those sectors which are clearly exposed to the carbon leakage risk and should periodically be revised to take account of economic and technological developments (keeping in perspective the final objective of full auctioning of allowances for all sectors).

Member States and the European Parliament are at an early stage of discussions on the Commission's proposal. In the European Parliament, Ian Duncan has been appointed as rapporteur for the ENVI Committee's report (lead Committee), while Fredrick Federley (ALDE, SE) has been appointed as Rapporteur of the ITRE Committee's opinion. An agreement on amendments to the proposal is only expected by the end of 2016. At the above-mentioned Environment Council, the Visegrad (V4+2) Group presented its common lines on the proposal. Last week the UK also published its [position paper](#) in which it expresses support for the 57% share of allowances to be auctioned in Phase IV to ensure a liquid carbon market. The UK also reiterated its support for tiering industry's allocation of free allowances to more than the two levels proposed by the Commission, and set them according to each tier's risk of carbon leakage.

The Commission's proposal on the revision of the EU ETS Directive is also the subject of a Roundtable Discussion which EURELECTRIC is hosting today. EURELECTRIC has invited a number of representatives from public and private sectors, as well as the EU institutions and NGOs, to engage in frank discussions on the European Commission's legislative proposal, in the context of the EU's 2030 Climate and Energy Framework.

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