

Joint Statement on the EU Emissions Trading System

1. We are firmly committed to the EU Emissions Trading System (ETS) as being at the heart of the EU's climate change and low carbon investment policies up to and well beyond 2020.
2. However, we remain deeply concerned that the ETS as currently designed cannot provide the price signals needed to stimulate the low carbon investment needed now because the supply of allowances substantially outstrips demand, leading to a very low carbon price. This also threatens the credibility of carbon markets as the most flexible, cost-effective way to achieve emissions reductions.
3. Given that the majority of EU Member States have to stimulate low carbon investments in order to meet domestic targets, an additional result of a sustained low carbon price could be a shift to a regulation-centric approach over market-based instruments, which would lead to increased costs for businesses operating within Europe.
4. As we have seen throughout the financial and economic crisis, targeted interventions may be necessary and we are convinced that only through proper structural reform and by giving investors a clear signal on Europe's low carbon ambition beyond 2020 can the EU ETS be restored to its original purpose of driving down carbon emissions and stimulating low carbon investments. So we welcome the Commission's Carbon Market Report, with options for reform, and the publication of the green paper on a 2030 framework for climate and energy policies.
5. Although we are clear that market interference should be kept to a minimum, a one-off and targeted intervention now would minimise market uncertainty and distortions, and also promote investment in low carbon technologies. A delay could lead to greater costs in the long-term to meet EU 2050 objectives.
6. We note the European Parliament's vote on 16th April on the 'back-loading' proposal and are disappointed by the result. Back-loading is one way to provide a short term fix pending structural reform of the EU ETS. Back-loaded allowances will be taken from Member State auctioning pots and will thus not affect measures to prevent carbon leakage. The main driver behind energy costs remains global fossil fuel prices and action to reduce emissions will reduce exposure to fossil fuel price volatility.
7. We therefore call on both the Council and Parliament take the urgent steps necessary, working constructively together, to come to a swift resolution of the backloading proposal by July of this year at the latest.
8. However, in parallel to progress on back-loading a renewed focus on more substantive measures to strengthen the system is essential. We now urge the Commission to bring forward, by the end of the year at the latest, proposals to perform a proper structural reform of the EU ETS, as well as giving investors a clear signal on Europe's low carbon ambition beyond 2020, in order to stimulate low carbon investments and the most cost-effective emission reductions.

SIGNED BY: -

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