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Mr James Currie  
Director General  
Directorate General "Environment"  
European Commission  
Rue de la Loi 200

B – 1049 Bruxelles

25 June 2001

Dear Director General,

**Re: Greenhouse gas emissions trading**

UNICE and its member federations feel rather privileged to be able comment on the draft proposal for a directive to establish a framework for emissions trading in the Community that is currently undergoing an inter-service consultation procedure.

Business and industry's direct interest in this proposal is clear from the commitments to take action on climate change made by EU Heads of State at the European Council in Göteborg, combined with DG ENV's apparent intention to give priority to taking action to control carbon dioxide emissions from energy intensive industry sectors.

UNICE's overall view is to welcome a Commissions proposal for emissions trading, but state clearly that this proposal, as currently drafted, is not ready for adoption. It raises several major issues, including in the single market, based on regulating carbon dioxide emissions, rather than encouraging emissions trading, with unclear links to IPPC. The intention of the draft seems consistent with an Article 95 single market proposal, but guidance to Member States in Annex III, on criteria for allocation plans, is not nearly clear enough to avoid a danger of single market distortions being caused.

We believe that at least the 2005-7 pilot phase should be on a voluntary basis, rather than mandatory, since the principle of emissions trading is to provide motivation and clear market signals to companies. We also had believed from a letter to one of our federations in April that it was not Mrs Wallström's intention to propose to require emissions trading. From this we had understood that the crucial issue of motivation had been fully appreciated and would become part of the DG ENV proposed approach.

It is important to note that industry is the area in which EU greenhouse gas emissions already show the steepest decrease, as companies both take their responsible action and seek to protect their global competitiveness by reducing energy costs. This is in sharp contrast with trends in sectors where consumer choice is more directly reflected, with increasing emissions from the transport sector as the most challenging example.

UNICE believes it is the greenhouse gas emissions reductions already delivered by its industry that offer the better way to add credibility to the Community's effort to seek a global solution to problems of climate change at COP 6 bis in the UNFCCC process.

We wish to stress that finding global solutions is the key issue, both for environmental effectiveness and to protect the competitiveness of EU business and industry. This is particularly the case for emissions trading, as one of the Kyoto mechanisms. The aim must be to agree the basis for establishing a global market, rather than just in Europe, whilst moving to control emissions from the full basket of greenhouse gas emissions. The project-based mechanisms are an important part of the global approach, and should be included as soon as possible in the set of available options.

That being said, UNICE has welcomed the Commission's intention to propose a pilot emissions trading scheme to operate from 2005-7, before the Kyoto protocol first commitment period of 2008-12, with several industry representatives active in the European Climate Change Programme group that has recommended how to do this.

The Commission had made clear its intention to propose a Community emissions trading scheme towards the end of this year, with further consultation of stakeholders already planned. We regret that the current proposal pre-empts those sound intentions, without taking into account outcomes of the European Climate Change Programme, where major issues were raised of how an EU framework should be linked to separate Member State approaches, and how individual companies should become involved.

We look forward to the possibility of working with your services to help bring forward a proposal that could command the support of important sections of European business and industry. This would exploit the potential for motivation that emissions trading offers, when implemented with the engagement and support of those involved.

Yours sincerely,

*(original signed by D. Cloquet for)*  
Daniela Israelachwili  
Acting Secretary General

cc. Mr Jos Delbeke, DG ENV.