

12 October 2001

Mr Romano Prodi
President of the
European Commission
rue de la Loi, 200
BREY 12/100
B - 1049 Bruxelles

Dear President,

Re : Emissions trading (greenhouse gases)

After further consultation with stakeholders in September, DG ENV has brought forward again its proposal for establishing a framework for greenhouse gas emissions trading within the EU.

In June, UNICE wrote to the Commissioners most directly concerned, making clear that we support emissions trading as an approach that allows flexibility to meet environmental targets most cost-effectively, but how such a regime is established in Europe is of crucial importance for the viability and competitiveness of companies. This is especially so after the agreement at Bonn, and the Gothenburg commitment to EU leadership in implementing the Kyoto protocol.

In June, we concluded that the draft proposal was not ready to be forwarded for adoption as a formal proposal. In bringing forward the proposal again, we consider that changes must be made to recognise the need for flexibility in the 2005-7 pilot phase, before the Kyoto first commitment period, and as part of a 'learning by doing' approach to this new policy instrument. We believe that the proposal needs to be further developed to combine environmental integrity with the flexibility essential to maintain the competitiveness of European business and industry.

Subsequent work on the draft proposal should be guided by the following four sound and simple principles:

- **Compatible with Kyoto:** The proposal needs to match the principles for emissions trading agreed at Kyoto and Bonn, and to be elaborated at Marrakech, to eventually become the global approach. This means covering all the greenhouse gases and including the project mechanisms at the earliest opportunity.
- **Adding value to Member State strategies:** Emissions trading should be compatible with existing and proposed policies and measures in Member States that are already delivering greenhouse gas emission reductions, rather than interfere with commitments, agreements and national trading initiatives.
- **'Learning by doing':** The 2005-7 pilot phase should allow flexibility for different approaches, and then scope to learn and apply the lessons of experience through a review.
- **Coherent policies and measures:** Policies and measures at EU and Member State level need to work together to meet the challenge of climate change targets. Control of greenhouse gases from installations must be detached from the scope of IPPC, emissions trading must support rather than detract from agreements, and targets should be set that are appropriate for the business characteristics of the particular sector.

We believe the detailed points that we have already advocated to the Commission services meet these four sound principles, and would ensure the emissions trading proposal could offer European business and industry necessary flexibility in meeting the challenge of climate change targets.

Yours sincerely,

(original signed by:)

Georges Jacobs
President

Addressees :

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