

DI/DC

10 December 2001

**Mr Olivier Deleuze**

President

EU Climate Change Council

Rue des Colonies – Koloniënstraat 56  
B-1000 Brussels

Dear President,

***re: Proposal for a directive establishing an EU emissions trading framework (greenhouse gases)***

***Environment Council on 12 and 13 December 2001***

With a view to the Council meeting, we would like to let you know where we stand on the proposal for an emissions trading framework directive.

Even before COP 3 at Kyoto, UNICE supported greenhouse gas emissions trading and long-term agreements, as offering important elements of flexibility for business and industry, whilst helping to find the most cost-effective greenhouse gas emissions reductions, based on targets appropriate for the characteristics of each sector. But, UNICE believes that the way emissions trading is implemented will be of crucial importance for both industrial competitiveness and the effectiveness of meeting EU emission reduction targets.

UNICE will have many detailed comments to make on this important proposal, but wants to be clear about the main principles of our approach.

In our letter of 12 October 2001 to President Prodi and other Commissioners about the draft proposal for a framework of emissions trading within the EU, UNICE emphasised the importance of the proposed directive being guided by four sound and simple principles:

- **Compatible with Kyoto:** the proposed directive needs to match principles for emissions trading agreed at Kyoto and Bonn, and thereafter elaborated at Marrakech, to eventually become the international approach. This means covering all the greenhouse gases, and as well as including the project mechanisms at the earliest opportunity.
- **Adding value to Member State strategies:** emissions trading needs to work coherently within the single market, so policies and measures at EU and Member State level need to work together to help meet the challenge of climate change targets. The proposed EU directive on emissions trading should be compatible with existing and proposed policies and measures in Member States, such as long-term agreements and national trading initiatives. Many of these policies and measures are already delivering significant reductions of greenhouse gas emissions that help underpin Member State strategies.

- **'Learning by doing'**: the 2005-7 initial phase needs to allow flexibility for different approaches and scope to learn and apply the lessons from experience. Most believe that at least this initial phase should be on a voluntary basis, since a prime principle of emissions trading should be to offer motivation and clear market signals to companies.
- **Coherent policies and measures**: whilst it is appreciated that linking implementation of the directive to existing procedures will avoid added bureaucracy, control of all greenhouse gas emissions and energy efficiency of installations based on Best Available Techniques must be removed from the scope of the IPPC (Integrated Pollution Prevention and Control) directive for emissions trading to become a viable helpful option.

None of these four principles has been adequately taken into account so far, which has led to a proposal that is lacking essential elements vital for safeguarding the competitiveness of European business and industry.

Thank you for the attention you may give to the principles set out above.

Yours sincerely,

( *signed by D.Cloquet* )

pp D.Israelachwili

Acting Secretary General

Addressees:

- Mrs M. Alvoet, President of the EU "Environment" Council
- Mr O. Deleuze, President of the EU "Climate Change" Council
- Committee of Deputy Permanent Representatives to the EU

Cc:

- Mr J-L. Six
- M. Chemay