



THE SECRETARY GENERAL

15 October 2002

Dear Permanent Representative,

The use of auctioning as an allocation method in the EU greenhouse gas emissions trading scheme is an option currently under discussion in the EU policy debate, on which the Environment Council will have to take a position.

UNICE is very concerned about the uncertain upfront tax represented by any auctioning mechanism, and about the dangers of bureaucracy that such a system entails.

In this context, UNICE firmly supports the joint statement by CEFIC, CEMBUREAU, CEPI, EURELECTRIC, EUROFER, EUROMETAUX and EUROPIA (attached) urging that allocation of allowances to be free of charge and that it should under no circumstances include auctioning.

I thank you for the consideration you may give to the analysis of the problem set out in the attached statement.

I would be very grateful if you could arrange for it to be circulated to your authorities and to the experts in charge of this dossier, with a view to the Environment Council on 17 October and subsequent work.

Yours sincerely,

(signed by D. Cloquet for)

Philippe de Buck

Appendix: Joint Press Statement



October 2002

Recommendation on the allocation method in the EU Greenhouse gas emissions trading scheme

CEFIC, CEMBUREAU, CEPI, EURELECTRIC, EUROFER, EUROMETAUX and EUROPIA believe that full clarity on the allocation mechanism should be provided urgently in order to minimise the adverse effects on the industry's competitive position, secure the internal market, reward early movers and create space for new entrants. Therefore:

- Allocation of allowances should be free of charge in both periods and should under no circumstance include auctioning. There appears to be a misconception that auctioning represents the only simple and fair method to allocate allowances, nevertheless....
- Auctioning is extremely costly to many sectors, thus seriously affecting the industry's ability to compete internationally and diverting substantial funds better spent on emission reducing investments. As an example, the cost of a 100% auctioning allocation would be close to Euro 20 billion per annum for the combined electricity and refining sectors, based on Euro 20 per ton of CO₂.
- Proposed re-allocation systems are not clear, inevitably biased and probably very bureaucratic. They do not guarantee any more clarity, simplicity or fairness in the allocation process, and will introduce distortions of competition.
- Other systems already exist e.g.
 - ✓ grandfathering with an early base year for which the data are available and verifiable among several sectors.
 - ✓ benchmarking giving preferential treatment to those industry players who can demonstrate above par performance.
 - ✓ combination of environmentally friendly criteria.
- Space for new entrants can be created by allocating a small percentage of allowances to contenders following benchmarking or environmentally friendly allocation criteria.

We are ready now to help define transparent, objective and fair rules under Annex III within which Member States, should allocate allowances', consistently with the Internal Market principles and State aid rules.

European Chemical Industry Council - CEFIC

Avenue E. van Nieuwenhuysse 4 B - 1160 Brussels Belgium Tel: +32 2 676 72 11 Fax: +32 2 676 73 01 mail@cefic.be www.cefic.org

The European Cement Association – CEMBUREAU

Rue d'Arlon 55 – 1040 Brussels – Belgium Tel: +32 2 234 10 11 Fax: +32 2 230 47 20 secretariat@cembureau.be www.cembureau.be

Confederation of European Paper Industries – CEPI

Avenue Louise 250 – 1050 Brussels – Belgium Tel: +32 2 627 49 11 Fax: +32 2 646 81 37 mail@cei.org www.cepi.org

Union of the Electricity Industry – EURELECTRIC

Boulevard de l'Imperatrice 66 – 1000 Brussels – Belgium Tel: +32 2 515 10 00 Fax: +32 2 515 10 10 eurelectric@eurelectric.org www.eurelectric.org

European Confederation of Iron and Steel Industries – EUROFER

Rue du Noyer 211 – 1000 Brussels – Belgium Tel: +32 2 738 79 20 Fax : +32 2 736 30 01 www.eurofer.org

European Association of Metals – EUREMETAUX

Avenue de Broqueville 12 B - 1150 Brussels - Belgium Tel: +32 2 775 63 11 Fax: +32 2 779 05 23 eurometaux@eurometaux.be www.eurometaux.org

European Petroleum Industry Association – EUROPIA

Boulevard du Souverain 165 – 1160 Brussels – Belgium Tel: +32 2 566 91 00 Fax: +32 2 566 91 11 info@europia.com www.europia.com