

Mr José Manuel Barroso  
President  
European Commission  
B-1049 Brussels

15 December 2006

THE SECRETARY GENERAL

Dear President,

**Re: *Future EU climate change strategy***

UNICE looks forward with interest to seeing the climate policy options to the horizon 2020 proposed by the Commission on 10 January 2007 and confirms the willingness of its members to play an active and constructive role in this debate. In this context, I wanted to stress the importance of defining a truly integrated policy agenda, with a view to supporting companies' efforts to promoting climate protection. Such an agenda should include the following key items in particular:

- development of an overarching EU energy policy, creating the clear strategic framework needed for definition of a coherent and effective climate policy. This energy policy should take advantage of all available energy options, including nuclear energy and carbon storage/sequestration;
- creation of open and competitive energy markets;
- introduction of an EU scheme for promotion of renewables;
- strengthening of EU research and technological capabilities with a view to supporting the development and deployment of advanced technologies;
- full exploitation of the significant energy efficiency possibilities that fall within the ambit of business, consumers and the public sector;

- improvement of the Emissions Trading Scheme (ETS), ensuring that it does not place unreasonable burdens on European industry. A significantly improved ETS could be a possible building block for the long-term, market-based policy framework that should be included in the needed international post-2012 climate change strategy;
- facilitation rather than restriction of the possibilities available to companies for using the Kyoto Protocol's flexible mechanisms to make a contribution to climate protection.

With that in mind, we strongly support the thrust of the letter that Vice-President Verheugen sent you on 21 November 2006, rightly underlining the crucial need to improve integration of the competitiveness, energy and environment aspects linked to the climate change challenge. We also support the emphasis the letter places on the need to put in place an innovation policy and an industrial policy capable of enabling technological progress to move forward at the rate implicit in the climate challenge.

Vice-President Verheugen's letter judiciously reflects a number of studies (carried out in particular by the Commission's Institute for Prospective Technological Studies) which show the extremely high level that the carbon price could reach in Europe in the case of far-reaching unilateral approaches, and the resultant very damaging consequences in economic terms, at macro and sectoral level.

For UNICE, it is essential that the Commission draws the necessary conclusions from these studies and commits the EU to redoubling its efforts to secure an international agreement involving all regions of the world in a clear and balanced global climate protection strategy. It is vital that the EU promotes the establishment of long-term international goals for the reduction of greenhouse gases that have the support of all the large emitting countries and regions. Only through doing so can the environment and EU competitiveness be protected.

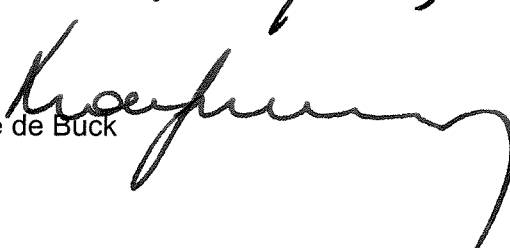
By contrast, we understand that the Commission is currently considering very high greenhouse gas emission reduction objectives to the horizon 2020 which could be proposed for adoption by the EU on a unilateral basis. Whilst UNICE recognises that the EU must play its part in combating climate change, it is vital that clear and robust ideas of how to handle the recognised negative economic and environmental consequences of such unilateral objectives must be developed prior to any proposals.

We strongly believe that ambitious unilateral objectives could seriously undermine the breadth of commitment that European companies could make to intensify their contribution to combating climate change both in the deployment of new and existing technologies as well as in investment to research and develop breakthrough technologies. Furthermore, they would also make it much more difficult to seek an international agreement with countries which do not opt for the methodology of targets and timetables as well as having little overall environmental benefit.

As a final point, I would like to express our strong reservations regarding border tax adjustments as a way of managing competitiveness problems resulting from the increased environmental constraints placed on industry. UNICE cannot support an initiative which risks undermining the WTO system and the international cooperation we want on climate change. An initiative of this type would signal to our trading partners that the EU is not committed to cooperation on international trade and would therefore undermine efforts to restart the Doha negotiations.

On the eve of the important discussions that you will have with your colleagues, I do hope that the issues I have raised above will be taken into account.

Yours sincerely,

*Best regards*  
  
Philippe de Buck