

8 September 2008

BUSINESSEUROPE voting recommendations for the ITRE opinion on the Directive 2008/0013: Greenhouse Gas Emission Allowance Trading Scheme

In view of the upcoming vote on the ITRE opinion as regards the revision of the EU Greenhouse Gas Emission Trading Scheme Directive, BUSINESSEUROPE would like to stress the following issues:

- **Free allocation for sectors exposed to international competition:**

The process of granting allowances must be based on a pragmatic, evidence based process assessing the exposure of sectors to international competition and carbon leakage. BUSINESSEUROPE supports the package of amendments proposed by MEP Eija-Ritta Korhola ensuring that manufacturing industries assessed as exposed to international competition and carbon leakage must receive 100% free allocations against independently scrutinized technology or efficiency benchmarks unless and until there is an international agreement with equivalent burdens for industry outside Europe. Therefore we ask MEPs to vote in favour of amendments **279, 296 and 320**.

- **Criteria for an international agreement**

Any ratified international agreement must create comparable and enforceable carbon restraints before passing burdens such as higher emission reduction targets onto business. Criteria are needed against which an international climate agreement can be evaluated. Therefore we ask MEPs to vote in favour of amendments **329-331 and 386**.

- **Opt-out for small installations**

The threshold up to which small installations will be able to opt out of the ETS should be raised to a minimum for all covered installations to at least 25,000 tonnes. Small installations emitting less than 25,000 tonnes per year only account for 3% of total ETS emissions. The opt-out must be possible at the request of the operator. Therefore we ask MEPs to vote in favour of amendment **372**.

- **Allow for more use of CDM/JI credits**

Widening the limits up to which installations can use CDM/JI credits to comply with their ETS obligations will increase the efficiency of the EU ETS, reduce the carbon migration risk, provide a better signal to carbon market project developers and increase the contribution of the EU ETS to global sustainable development and the establishment of an international agreement on climate change.

Therefore we ask MEPs to vote in favour of amendments **339 and 345**.

- **Earlier dates for decisions on auctioning, benchmarking, free allocations**

European companies need predictability to invest. Therefore the dates for deciding on rules and modalities of auctioning, benchmarking and the amount of free allocations industry will get must be set earlier than initially proposed in the directive.

Therefore we ask MEPs to vote in favour of amendments **6, 11, 25, 34, 195, 201 and 306**.

▪ **Benchmarking**

Free allocation of allowances based on technology- or efficiency-based benchmarking is likely to achieve the desired CO₂ emissions reductions in the ETS (21% by 2020 compared to 2005) at less cost than auctioning the allowances. It furthermore provides incentives for efficiency leaders and stimulates investment in emission reductions. Benchmarking is vital for protecting those sectors exposed to international competition. Therefore we ask MEPs to vote in favour of amendments **95**, **214** and **223**.

Further issues important for BUSINESSEUROPE:

- Widening the New Entrants Definition to a significant increase in existing capacity (support of amendments **140** and **141**)
- Including forest-based carbon credits from developing countries into the ETS (supporting amendment **389**)
- Avoiding negative effects of speculation from auctioning (supporting amendments **25** and **195**)
- Deleting provisions for a future inclusion of imports and exports into the ETS (supporting amendment **109**)
- Providing for free allocations for heat derived from CHP (supporting amendment **251**)

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