

BUSINESSEUROPE

THE DIRECTOR GENERAL

Günter Verheugen
Vice President of the European Commission
European Commission
B-1049 Brussels

3 November 2009

Dear Vice President,

Dear Günter

We are concerned that some interpretations of the revised EU Emission Trading Scheme (ETS) Directive could go against what Council and Parliament had in mind when they adopted it last year.

A key issue is the interpretation of the so-called linear reduction factor of -1.74%. As the directive states in article 9, "the Community-wide quantity of allowances should decrease in a linear manner calculated from the mid-point of the period from 2008 to 2012, ensuring that the emissions trading system delivers gradual and predictable reductions of emissions over time. The annual decrease of allowances should be equal to 1.74% of the allowances issued by Member States" translating into an emission reduction of 21% in 2020 compared to 2005.

DG Environment has initiated a debate in which it proposes to apply this reduction factor not only to the total amount of ETS allowances, but also to the benchmarks used for allocating allowances to individual installations. This interpretation has been launched in a recent working group with the Member States and will be discussed again in a meeting of 5 November.

Benchmarks were introduced by the directive to allocate a share of free allowances for concerned industries. These benchmarks were set ambitiously at the average of the best 10% installations within a sector. The remaining 90% of installations in a sector will receive free allowances reflecting their environmental performance in relation to the sector benchmark.

In the interpretation of DG Environment, these benchmarks should be progressively reduced by 1.74 % per year and thus also be brought down by 21 % by 2020 even for the best installations. This is new and in our view against the spirit and the letter of the directive. It would again expose sectors to carbon leakage risk, even if they are in the list identified to be at significant carbon leakage risk.

I kindly ask you to take our views into account in any relevant discussions within the Commission and with Member States.

Yours sincerely,

best regards,

Philippe de Buck

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