POLICY BRIEFING

BUSINESSEUROPE

2 November 2011

IMPLEMENTATION OF THE REVISED EU EMISSION TRADING SCHEME

KEY MESSAGES

1. BUSINESSEUROPE supports the EU ETS as an adequate instrument for reducing industrial greenhouse gas emissions.

2. In order to invest in cleaner technologies, companies need maximum predictability regarding the CO_2 price.

3. The EU ETS must put in place all the necessary measures to preserve the competitiveness of European industry such as allocating an adequate amount of free allowances for installations exposed to carbon leakage and compensating for indirect costs affecting energy-intensive industries

WHAT DOES BUSINESSEUROPE AIM FOR?

- The EU Emission Trading Scheme (ETS) is a cost efficient way to reduce greenhouse gas emissions and must remain the primary tool to reduce European industrial greenhouse gas emissions by 2020 and beyond. Member States' revenues from the ETS auctions should be used to help industry invest in low carbon technological innovations.

- For ETS to play its role, the regulator must refrain from undue intervention in the market mechanisms to steer the allowances' price in one direction or another. Incentives for emission reductions should only spring from transparent and explicit political agreements on the overall cap on emissions, and not from active interference in the carbon market. For 2020, this cap was set by the climate and energy package in 2008, and any direct or indirect means of altering this target, either temporarily or permanently would reduce predictability for industry.

KEY FACTS AND FIGURES

The EU Emission Trading Scheme (ETS), created in 2005, is the most ambitious instrument in the world to reduce greenhouse gas emissions. EU industry will reduce its emissions by 21% by 2020 compared to 2005. The EU ETS covers over 11,000 industrial installations representing roughly half the EU's CO_2 emissions. Based on the cap and trade principle, the EU-ETS has already contributed substantially to reaching the EU's climate targets.

- Climate policies only based on high carbon price do not necessarily trigger investment in low carbon technologies. They could also increase carbon leakage from the EU. It is therefore necessary to reinforce current measures to protect business competing on a global market. Free allocation based on efficiency benchmarks could be complemented with appropriate polices to support research and innovation.

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