BUSINESSEUROPE

STATEMENT

14 November 2012

BUSINESSEUROPE's reaction to the Carbon Market Report

BUSINESSEUROPE considers the "Report on the state of the European carbon market in 2012" (the Report) a first contribution from the European Commission to the critical discussion on the future of the EU climate policy.

BUSINESSEUROPE has previously expressed its considered opposition to the backloading proposal highlighting how first a debate involving all stakeholders on the structural reform of climate, energy and industrial policies post 2020 is needed. In this respect, the Report appears to concentrate upon short term solutions and addresses only one part of this much broader issue.

Hasty implementation of any of the proposed options would not provide a comprehensive solution that would stimulate long-term growth and investment in Europe. With this aim, BUSINESSEUROPE would like to stress the following points:

- **A stable, predictable legislative framework is indispensible for business' investments.** BUSINESSEUROPE supports the EU ETS as a tool to assist business in making cost-effective emissions reductions. Pre-emptive short-term measures, as those proposed, reduce predictability and confidence at a time when phase III of the EU ETS is about to start. With the aim of improving predictability on the long term, European business is committed to discuss climate and energy policy solutions post 2020.

- **The EU needs to discuss *real* structural measures to improve the EU climate and energy package as whole.** The EU ETS, renewable and energy efficiency policies need to be assessed as a whole and redesigned if necessary. Most of the options included in the Report are adjustments focused on one issue, the short term price of carbon, and do not address the problems of the EU 2020 climate and energy package as a whole. Better coordination of the EU energy and climate policies, especially with a view to 2030, is paramount.

- **Strengthening the competitiveness of all European business sectors while promoting their sustainability is crucial.** Costs deriving from new or existing policy measures, which drive investments away from the EU or potentially leading to carbon leakage, must be avoided as they represent policy failures. These include direct and indirect ETS-related costs which need to be taken into account and compensated in a coordinated manner, at least until comparable climate policies are enforced globally. This approach would be consistent with the Commission's

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declared objective to increase the contribution of European industry to the EU GDP[1].

- **Forward-looking industrial policy must give priority to boosting research, innovation and technological development**. This can best be achieved by improving the research and innovation legal framework and providing adequate financing to EU programmes. In this context, the role of Horizon 2020 is essential to ensure a sustainable recovery and strengthen the European economy.

[1] European Commission, Communication "A Stronger European Industry for Growth and Economic Recovery", 10 October 2012