



**Members of the European Parliament
of the ITRE and ENVI Committees**

European Parliament
Rue Wiertz 66
BE-1047 Brussels

16 January 2015

EU ETS Market Stability Reserve
Ensure a holistic reform of the system

Dear Members of the European Parliament,

European energy and climate change policy is now in a critical period, and the decisions made over the coming months will have consequences for decades. As a market-based instrument, the EU Emissions Trading Schemes (ETS) has the best potential to reduce greenhouse gas (GHG) emissions in the most cost-efficient way, and constitutes the market signal to drive low-carbon investment across Europe.

To bring back confidence for the ETS, it is crucial to show that it can work for every sector and business. This is true for the power sector, which expects a carbon price signal that is relevant to companies' operational and capital investment decisions today. This is equally important for the other covered industrial sectors, in particular energy-intensive and trade-exposed industries, which invest and manufacture products for a low carbon economy, but are also exposed to more and more aggressive global competition. Direct carbon costs from ETS allowances as well as indirect costs, from the power sector's passed-through carbon costs in power prices must be tackled to ensure that these industries can provide the investment in the jobs and growth that the European economy needs.

This is the reason why BUSINESSEUROPE supports a reform of the EU ETS post-2020 which addresses high carbon price volatility, but also which goes together with carbon leakage measures for direct and indirect costs. It is essential that the most CO₂-efficient installations at risk of carbon leakage do not face additional carbon costs, as agreed by the October 2014 European Summit. In this regard, it is positive to see that, on top of the Market Stability Reserve (MSR) proposal, the European Commission is committed to table as soon as possible in 2015 a new legislative proposal to fully reform the EU ETS post-2020 addressing carbon leakage provisions as well as new innovation pathways.

But above all, it is absolutely crucial that, rather than quick fixes and piecemeal approaches, we have a holistic reform of the EU ETS to provide a stable and predictable EU policy framework that allows industry and business to invest. This will only be possible if policy-makers stop changing the rules which have been agreed. The 2020 climate and energy framework, in particular the GHG emissions reduction cap, has been decided politically and just a few months ago EU policy-makers have agreed on temporarily putting aside 900 million ETS allowances.

Against this background, BUSINESSEUROPE supports starting the Market Stability Reserve post-2020 as proposed by the European Commission. That is the only way of ensuring a holistic and timely reform of the EU ETS within the context of the 2015 revision of the ETS Directive, which will be addressing carbon leakage and a new innovation scheme. BUSINESSEUROPE is committed to engage in a constructive dialogue with the EU institutions on these highly important issues.

We thank you for the consideration you will give to our views and we remain at your disposal for any additional questions.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Markus J. Beyrer", with a long, sweeping horizontal line extending to the right.

Markus J. Beyrer

Cc: Minister Gerhards, Commissioner Arias Cañete, Commissioner Šefčovič.