



Mr Frans Timmermans
First Vice-President for Better Regulation,
Interinstitutional Relations, the Rule of Law and the
Charter of Fundamental Rights
European Commission
Rue de la Loi 200
BE-1049 Brussels
BELGIUM

26 June 2015

Dear First Vice-President,

**BUSINESSEUROPE's views on the ETS reform,
a make or break deal for EU competitiveness.**

BUSINESSEUROPE has consistently advocated for the EU ETS to be the main driver for industry to reduce emissions and to incentivise investments in low carbon technologies. The post-2020 reform of the scheme is of strategic importance for European companies. It is the one chance to fix the problems for the next decade to come, making sure it contributes to fight climate change while safeguarding EU industry competitiveness at global level.

It is therefore key to make the ETS work for every covered sector. This is true for the power industry which requires a carbon price that is relevant to utilities' operational and capital investment decision today and in the future. This is equally important for manufacturing industry, and in particular for the energy-intensive and/or trade exposed sectors facing more and more aggressive global competition.

This is not possible if the volume of free allowances for industry post-2020 is insufficient and assumed to decline over time, irrespective of industry's ability to reduce emissions without losing international competitiveness. After years discussing legislative proposals to tackle the excess of allowances in the scheme, availability of free allowances is not a technical problem. It is a political choice.

We therefore call on the Commission to adopt a balanced approach. The European Council in October 2014 clearly stated that post-2020 measures would have to provide "appropriate levels of support for sectors at risk of losing international competitiveness". Moreover, the decision on the Market Stability Reserve brings some openings to use unallocated allowances for addressing the risk of carbon leakage, which now need to be anchored in the forthcoming Commission proposal. In both cases, no preliminary reservations or limitations were made to the amount of free allowances needed to ensure the appropriate level of support for industrial sectors.



Such a balanced approach also makes sense as the proposal is coming just a few months ahead of the international climate summit in Paris. BUSINESSEUROPE supports an ambitious global agreement. EU business is strongly committed to bring technological and behavioural innovation and solutions. While we hope that the growing worldwide political momentum for a turning point in Paris results in an ambitious global agreement, it remains unclear whether and how industrial sectors from other major economies, acting on global markets, will embark on comparable emission reduction efforts as the EU industry. This does very little to address our concerns about the preservation of our industries' competitiveness.

It is clear that the ETS reform is a make or break deal for EU competitiveness. We therefore trust you will take these important features into account when shaping the post-2020 rules. Enclosed to this letter, you will also find our position paper on the wider ETS reform covering inter alia, the need to provide for dynamic allocation, harmonised compensation for indirect costs and the elimination of the C-factor.

I remain at your disposal for a constructive cooperation on these crucial matters.

Yours sincerely,

Markus J. Beyrer