



Plenary debate on backloading necessary

20 February 2013

Dear Member of the European Parliament,

On January 24th the EP Industry Committee strongly rejected the Commission proposal amending the EU ETS Directive, clarifying provisions on the timing of auctions of greenhouse gas allowances (backloading).

Conversely, on February 19th the Environment Committee voted in favour of the rapporteur's compromise amendments in support of the Commission proposal. The Committee rejected the position of the Industry Committee and decided to vote at its 26 February meeting on whether or not to give the rapporteur a mandate for negotiating a first reading agreement with the Council Presidency and the Commission.

There are significant differences between the view of the Industry and the Environment Committee but in fact in the two Committees combined there were more votes opposing backloading than in favour. This highlights the wide differences in views and the importance of having a full, democratic and transparent plenary debate on this crucial issue for the EU.

The plenary debate, followed by a vote, would allow all MEPs to express their views and provide required political support for the final decision before negotiations with the Council Presidency and the Commission, which might commit Parliament, are opened.

This is an important debate for EU competitiveness and deserves full consideration by all the institutions. So the Alliance of Energy Intensive Industries, representing the interests of over 30.000 European companies, asks you and your political group to support this view. We are opposed to backloading because it pushes up energy costs in the EU for industrial and individual energy users alike, without any environmental benefit. In the current economic climate the measure is unnecessary and ineffective. The ETS continues to function as designed and is on target to achieve its emission reduction targets ahead of schedule at the lowest possible cost.

We thank you in advance for taking the above into consideration.

Yours sincerely,

Dr. Annette Loske, IFIEC

Gordon Moffat, EUROFER

Hubert Mandery, Cefic

For the Alliance of Energy Intensive Industries



Position of the Alliance of Energy Intensive Industries on the Commission proposal to back-load (set-aside) EU ETS allowances

In July, the European Commission issued a proposal to postpone the auctioning of an as yet undefined number of CO₂ Allowances until towards the end of the third trading period. The purpose is to ensure the 'orderly' functioning of the EU ETS. This is likely to be the first step in further regulatory proposals to intervene in Phase 3 with the overt intention of reducing the existing cap on emissions. This cap is already set to meet the EU's requirement to reduce EU ETS emissions by 21% by 2020 from a 2005 baseline.

While supporting the EU ETS as a policy instrument to meet the EU's climate objectives, the Alliance of Energy Intensive Industries is opposed to any modification of the EU ETS rules which would damage further industry's competitiveness. The EU must stick to the 2020 target formula agreed upon under the third Climate and Energy package and must not revise it unilaterally unless the carbon leakage issue is solved by a binding international climate agreement.

The proposed interference within the agreed policy framework will simply increase the costs for industry. By hampering predictability and by increasing regulatory risk of further intervention, it will also deter investments at a time when the EU economy is struggling to find a way out of the crisis.

Instead, policy makers should focus on the post-2020 policy framework and endeavour to work out a scheme that makes the EU more competitive.

In this context, the 'back-loading' initiative is inappropriate, and **the Alliance of Energy Intensive Industries therefore calls for the rejection of the back-loading proposal** for the following reasons:

1. **No artificial cost increase:** the back-loading proposal will inevitably lead to direct and indirect EU-only CO₂ cost increases, affecting the energy-intensive businesses and private consumers, at a time when growth and value creation are needed to combat the economic crisis. Rising energy and CO₂ prices do not create overall value or jobs. They will hamper Europe's economic recovery and diminish the global competitiveness of European industry.
2. **The carbon market is functioning.** The carbon price today reflects the economic downturn exactly as it should do.
3. **The proposal puts an end to the notion of the ETS as a market-based instrument.** Trying to manipulate carbon prices through political intervention will now require a risk calculation based on the likelihood of further political intervention.

4. **In the absence of an international climate agreement providing level playing field, higher carbon prices do not bring forward breakthrough technologies but do increase carbon costs and potentially carbon leakage instead.** It's worth recalling that the ETS is technology-neutral - neither intended to promote one technology over another, nor to lead to the emergence of new technologies. So only the mitigation objective matters, not the carbon price.
5. **Business needs predictability and transparency:** political intervention to change rules, often through Comitology, creates instability. Piecemeal interventions in the market hamper predictability and deter investments.
6. **Consult Industry in order to look forward:** the EU should look forward and link its post-2020 climate and energy policy to industrial competitiveness, working with industry on solutions based on technical feasibility and economic viability. Amendment of the present EU ETS must also remove barriers and risks for EU growth, taking into consideration binding mitigation commitments by third countries and their impact on sectors and sub-sectors, so as to secure an international level playing field for EU industries.