21 January 2013

Why the EP's Committee on Industry, Research and Energy needs to reject backloading

Recommendation by the Alliance of Energy Intensive Industries

Dear honourable Member of the European Parliament,

On 24 January, the Committee on Industry, Research and Energy will vote on the Commission proposal amending the ETS Directive so as to allow the Commission to withhold emission allowances from the ETS market and increase carbon and energy prices in Europe despite the fact that the 21% reduction target of the ETS will be achieved.[1]

We call upon you to support amendments by MEPs which reject the Commission proposal

Am. 1 by Lena Kolarska-Bobińska, Herbert Reul, Salvador Sedó I Alabart, Krišjānis Kariņš, Paul Rübig, Bogdan Marcinkiewicz, Angelika Niebler, Konrad Szymański, Amalia Sartori and 17 other MEPs (EPP, ECR).
Am. 2 by Robert Goebbels (S&D)
Am. 3 by Bernd Lange (S&D)

Please support also amendments which recall the scope of the Directive and clarify that it does not allow backloading:

Am. 27 and Am. 5, 7, 12 by Silvia-Adriana Ţicău and Ioan Enciu (S&D), Am. 6 by Romana Jordan, Pilar del Castillo, Vidal-Quadras and Lena Kolarska-Bobinska (EPP)
Am. 33 and Am. 8, 9, 13 by Holger Krahmer (ALDE)

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The Commission proposal is the first step to intervene in Phase 3 of the EU emissions trading system (ETS) by withholding 900 million emissions allowances from the market, with the intention to cancel these in a second step and therewith increasing the existing cap beyond 21%.

While supporting the 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 ETS rules which would damage further industry's competitiveness. The EU must stick to the 2020 target formula agreed

[1] Commission proposal for a decision of the European Parliament and of the Council amending Directive 2003/87/EC clarifying provisions on the timing of auctions of greenhouse gas allowances (COM(2012)0416)

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 and private consumers. 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 and ensures affordable energy for the industry.

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 CO_2 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 CO_2 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, such as the cancellation of allowances.
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 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.