

# Consultation on revision of the EU Emission Trading System (EU ETS) Directive

Fields marked with \* are mandatory.

## Introduction

---

On 24 October 2014, the European Council agreed on the 2030 framework for climate and energy [1], including a binding domestic target for reducing greenhouse gas (GHG) emissions of at least 40% in 2030 as compared to 1990. To meet this target, the European Council agreed that the emissions in the EU Emission Trading System should be reduced, compared to 2005, by 43%. A reformed EU ETS remains the main instrument to achieve the emission reduction target. The cap will decline based on an annual linear reduction factor of 2.2% (instead of the current 1.74%) from 2021 onwards, to achieve the necessary emission reductions in the EU ETS. The European Council furthermore gave strategic guidance on several issues regarding the implementation of the emission reduction target, namely free allocation to industry, the establishment of a modernisation and an innovation fund, optional free allocation of allowances to modernise electricity generation in some Member States.

The strategic guidance given by European leaders on these elements will be translated into a legislative proposal to revise the EU ETS for the period post-2020. This constitutes an important part of the work on the achievement of a resilient Energy Union with a forward looking climate change policy, which has been identified as a key policy area in President Juncker's political guidelines for the new Commission.

The purpose of the present stakeholder consultation is to gather stakeholders' views on these elements. This consultation focuses on issues not yet addressed in the consultations recently conducted for the 2030 Impact Assessment[2], the Impact Assessment for the carbon leakage list for 2015-2019[3] and the consultation conducted on post-2020 carbon leakage provisions[4].

In order to take stock of the EU ETS (established by Directive 2003/87/EC) as a policy measure, this consultation also contains questions concerning the general evaluation of this policy measure. The questionnaire consists of 7 chapters. You are invited to answer questions on the chapters which are relevant to you.

## 0. Registration

---

### 0.1. What is your profile?\*

- Business
- A small and medium enterprise
- Trade association representing businesses
- SME business organisation
- Government institution/regulatory authority
- Academic/research institution
- Non-governmental organisation
- Citizen
- Other

### 0.2. Please enter the name of your business/organisation/association etc.:\*

Cercle de l'Industrie brings together the CEOs or presidents of around thirty of the largest French industrial companies – state-owned as well as private – along with key French political decision-makers. Members of Cercle de l'Industrie represent a consolidated turnover figure of about 865 billion euros, and they employ nearly 2.7 million people around the world.

The purpose of the French Association of Large Companies (AFEP) is to present the views of large French companies to the European Institutions and the French authorities, mainly with regard to the drafting of cross-sectoral legislation. In 2015, AFEP represents more than 110 of the top private sector companies operating in France.

### 0.3. Please enter your contact details (address, telephone, email):\*

Cercle de l'Industrie ([www.cercleindustrie.eu](http://www.cercleindustrie.eu)): Aurélie Portalier,  
Representative in Brussels  
(4-6 rue Belliard 1040 Bruxelles Belgique -  
[aurelie.portalier@cercleindustrie.eu](mailto:aurelie.portalier@cercleindustrie.eu) - +32 (0)2 502 88 08)  
AFEP ([www.afep.com](http://www.afep.com)): François-Nicolas Boquet, Environment and Energy  
Director (11 avenue Delcassé 75 008 Paris France - [fn.boquet@afep.com](mailto:fn.boquet@afep.com) -  
+33 1 43 59 71 40) and Justine Richard, European Affairs Deputy Director  
(4-6 rue Belliard 1040 Bruxelles Belgique) [justine.richard@afep.be](mailto:justine.richard@afep.be) -  
+32 2 227 57 25).

### 0.4. If relevant, please state if the sector/industry you represent falls under the scope of the EU

ETS:\*

- yes
- no
- not relevant

0.5. If relevant, please state what sector your represent:\*

- Energy-intensive industry
- Energy sector
- Other

Please specify:

AFEP and Cercle de l'Industrie represent companies from all sectors: energy-intensive industry, energy sector and low carbon technology sectors.

0.6. The results of this stakeholder consultation will be published unless stated otherwise. Can we include your replies in the publication?\*

- yes
- no
- partially

0.7. Register ID number (if you/your organisation is registered in the Transparency register):

6097410205703

## 1. Free allocation and addressing the risk of carbon leakage

---

The European Council has concluded that free allocation to prevent the risk of carbon leakage should not expire as foreseen in the current legislation, but should continue also after 2020 as long as there are no comparable efforts to reduce emissions in other major economies.

Extensive stakeholder consultation was already carried out on the post-2020 carbon leakage provisions, as well as on aspects related to innovation support. The process included three full-day stakeholder meetings (June, July and September 2014) and a written consultation conducted for 12 weeks (8 May – 31 July, 2014). The written consultation covered 23 multiple choice questions with space for motivations, and a question allowing respondents to bring up any other issue they felt was important or insufficiently covered.

The documents and minutes of the meetings, as well as the submissions and the analysis thereof in the case of the written consultation, are available on the Commission website.

Information from the stakeholder meetings:

[http://ec.europa.eu/clima/events/articles/0090\\_en.htm](http://ec.europa.eu/clima/events/articles/0090_en.htm)

[http://ec.europa.eu/clima/events/articles/0095\\_en.htm](http://ec.europa.eu/clima/events/articles/0095_en.htm)

[http://ec.europa.eu/clima/events/articles/0097\\_en.htm](http://ec.europa.eu/clima/events/articles/0097_en.htm)

Replies and summary of the written consultation:

[http://ec.europa.eu/clima/consultations/articles/0023\\_en.htm](http://ec.europa.eu/clima/consultations/articles/0023_en.htm)

The results of the above mentioned public consultation are being taken into account in the preparation of the legislative proposal. In order to reduce the administrative burden for stakeholders and the Commission, the present consultation focuses on issues not already covered in this recently finalised public consultation. Respondents are nevertheless invited to add to the replies provided in the earlier consultations if deemed necessary in the light of the conclusions of the European Council in this area.

**1.1 The European Council called for a periodic revision of benchmarks in line with technological progress. How could this be best achieved in your view and, in particular, which data could be used to this end? How frequently should benchmarks be updated, keeping in mind administrative feasibility?**

*4,500 character(s) maximum*

Cercle de l'Industrie and AFEP consider that benchmarks established for the period 2013-2020 are already very demanding. They also recall the need to enhance low carbon investments by applying stable rules during time periods compatible with their investment cycles. In this context, companies believe it is important to adjust the allocation of allowances to the fluctuation of their activity levels (i.e. dynamic allocations), while keeping CO2 performance standards as stable as possible. Therefore, they propose that benchmarks be revised on the request of each sector, at European level, one year before the end of each period, in view of being applied throughout the whole period to come. The revised benchmarks should be based upon a significant sample of installations in Europe using a transparent methodology.

**1.2 The European Council has defined guiding principles for the development of post-2020 free allocation rules which provide inter alia that "both direct and indirect costs will be taken into account, in line with the EU state aid rules" and that "the most efficient installations in these sectors should not face undue carbon costs leading to carbon leakage" while "incentives for industry to innovate will be fully preserved and administrative complexity will not be increased" and while "ensuring affordable energy prices". Do you have views how these principles should be reflected in the future free allocation rules?**

*4,500 character(s) maximum*

In order to better stimulate investments in low carbon technologies, member companies are in favour of introducing a dynamic allocation of allowances. The aim is to adjust the allocations of year X, on the basis of the real activity level of year X-1, instead of rigid activity forecasts. This will ultimately reduce the risk of over/under-allocations. The adjustment of allowances should rely on the Market Stability Reserve. In this context, member companies claim that the cross-sectoral correction factor, which is applied to calculate final allocations, should be suppressed.

**1.3 Should free allocation be given from 2021 to 2030 to compensate those carbon costs which sectors pass through to customers? How could free allocation be best determined in order to avoid windfall profits?**

*4,500 character(s) maximum*

1/ Companies believe that the current compensation system for indirect CO2 costs, depending on Member States' decision to compensate or not, creates strong competitive distortions throughout Europe. In order to avoid such distortions among electro-intensive companies, the following changes are proposed:

a) Allocating to electro-intensive companies free allowances at EU level instead of national financial support, in order to avoid the application of State aid rules; free allocation has two advantages: i) it ensures that the allowances are allocated in a transparent way to the companies, ii) it also ensures that companies are treated equally across the EU and creates a level playing field;

b) Enabling 100 % compensation for indirect costs (instead of 85% currently);

c) Sourcing those free allowances either from (i) the Market Stability Reserve, or (ii) unallocated allowances from phase 2013-2020, or (iii) back-loaded allowances;

d) Giving free allowances to electro-intensive companies based on a common performance ratio (e.g. in terms of CO2/MWh) throughout Europe in order to avoid windfall profits and to create a level playing field.

2/ Windfall profits will be avoided as free allowances will be given to energy-intensive companies that are unable to pass on the cost increases induced by the EU ETS to their customers without significant loss of market share. Indeed, should a company decide to keep this advantage while raising its price, it will automatically lose market shares and downgrade its commercial position. Companies will necessarily use the benefit of free allowances to maintain their price, and then their position on the market. Furthermore, windfall profits will also be avoided in the specific cases of outsourcing, as contractual provisions lay down how the advantages are passed to the customers. These provisions have been imposed by DG Competition in most cases.

**1.4 Are there any complementary aspects you would like to add to the replies given to the previous written consultation in the light of the European Council conclusions?**

*4,500 character(s) maximum*

## 2. Innovation fund

---

The European Council has concluded that 400 million allowances in 2021 to 2030 should be dedicated for setting up an innovation fund to support demonstration projects of innovative renewable energy technologies, carbon capture and storage (CCS) as well as low carbon innovation in industrial sectors. To make this fund operational, a legal basis has to be created in the EU ETS Directive while further implementation modalities can be set out in secondary legislation. The work can build on the experience with the existing "NER300" programme which made available 300 million allowances for CCS and innovative renewable energy technologies[1].

With regard to establishing a legal basis for the innovation fund as part of the revision of the EU ETS Directive, the Commission seeks feedback on the following questions:

**2.1 Do you see reasons to modify the existing modalities applied in the first two calls of the NER300? Are there any modalities governing the NER 300 programme which could be simplified in the design of the innovation fund? If you see the need for changes, please be specific what aspects you would like to see changed and why.**

*4,500 character(s) maximum*

NER300 has encountered numerous difficulties that have undermined its success (long processing delays, complex application procedures, late availability of funds, and impact of EUAs' low price). Yet, this programme is much needed as it aims at helping downstream industrial R&D&I projects to cross the "death valley". Therefore, AFEP and Cercle de l'Industrie support the decision of the European Council to renew NER300, to extend its scope to low carbon innovation in industrial sectors, and to increase its endowment to 400 million allowances. However, its operating framework must be reformed, in order to allow the new 400 facility to reach its purpose.

**2.2 Do you consider that for the extended scope of supporting low-carbon innovation in industrial sectors the modalities should be the same as for CCS and innovative renewable energy technologies or is certain tailoring needed, e.g. pre-defined amounts, specific selection criteria? If possible, please provide specific examples of tailored modalities.**

*4,500 character(s) maximum*

As regards the modalities of supporting low carbon innovation in industrial sectors, AFEP and Cercle de l'Industrie consider that:

- there is a need for a stable, predictable, and clear framework;
- the facility should not be focused only on large-scale projects;
- non-cooperative projects should also be supported. In this case, a specific governance system should be put in place to prevent any misuse of public funding.
- the selection of projects must be technology-neutral;
- projects showing the best cost/efficiency ratio and that are replicable should be promoted;
- projects should be supported including for their pre-commercial phase.

**2.3 Are there any complementary aspects regarding innovation funding you would like to add to the replies given to the previous written consultation in the light of the European Council conclusions?**

*4,500 character(s) maximum*

### 3. Modernisation fund

---

The European Council has concluded that 2% of the total EU ETS allowances in 2021 to 2030 should be dedicated to address the particularly high investment needs for Member States with GDP per capita below 60% of the EU average. The aim is to improve energy efficiency and to modernise the energy systems of the benefitting Member States. The fund should be managed by the beneficiary Member States, with the involvement of the European Investment Bank (EIB) in the selection of projects. To make this fund operational, a legal basis has to be created (in the EU ETS Directive), while further implementation modalities can be set out in secondary legislation.

With regard to establishing a legal basis for the modernisation fund as part of the revision of the EU ETS Directive, the Commission seeks feedback on the following questions:

**3.1 Implementation of the modernization fund requires a governance structure: What is the right balance between the responsibilities of eligible Member States, the EIB and other institutions to ensure an effective and transparent management?**

*4,500 character(s) maximum*

Companies consider that strong and reliable monitoring procedures should be adopted to assess the way the resources are used to reach the purpose of the Fund.

**3.2 Regarding the investments, what types of projects should be financed by the modernisation fund to ensure the attainment of its goals? Should certain types of projects be ineligible for support?**

*4,500 character(s) maximum*

Cercle de l'Industrie and AFEP consider that the main projects to be financed by the Modernization fund should be devoted to reducing GHG emissions at the lowest cost. In order to benefit from this resource, Member States should prove that this financial support is necessary to trigger investments and should show that the investments planned have really been implemented. A rigorous monitoring is needed on this aspect.

Such resources should favour investments for new plants within Europe presenting high production and environmental standards instead of continuously extending the lifetime of old plants which are unable to cope with those new standards even with high investments.

In order to trigger this fund, companies support selection criteria in terms of performance (GHG emission reduction/euro invested) and replicability. The fact that a technology or a process is implemented within Europe should also be an important project selection criteria.

**3.3 Should there be concrete criteria [e.g. cost-per-unit performance, clean energy produced, energy saved, etc.] guiding the selection of projects?**

*4,500 character(s) maximum*

Cf. 3.2

**3.4 How do you see the interaction of the modernisation fund with other sources of funding available for the same type of projects, in particular under the optional free allocation for modernisation of electricity generation (see section 4 below)? Would accumulation rules be appropriate?**

*4,500 character(s) maximum*

If, as recommended by companies, a system of dynamic allocation of allowances were combined with the deletion of the cross-sectoral correction factor (cf. 1.2), the best solution to ensure that the issue of GHG emission reductions of the electricity generation sector be tackled in Member States would be to ensure that a special Fund be dedicated to that purpose, apart from the Modernisation fund. In this context, the accumulation of Modernisation fund and other sources of funding (e.g. Article 10c mechanism for electricity generation) would be avoided.

**3.5 Do you have views how the assessment of the projects should be reflected in the forthcoming 2030 governance process (e.g. national climate programmes, and plans for renewable energy and energy efficiency)?**

*4,500 character(s) maximum*

Periodic stocktaking is critical on a bi-annual basis in order to ensure that EU ambition and national climate programmes, national renewable energy and energy efficiency plans are consistent.

### 3.6 Should the level of funding be contingent on concrete performance criteria?

*4,500 character(s) maximum*

The decision on the level of funding should be based on a clear approach: by country, by project, or by sector. The projects benefiting from this Funds, as well as from other sources of funding, must have a clear and measurable impact on GHG emission reductions.

## 4. Free allocation to promote investments for modernising the energy sector

---

The conclusions of the European Council provide for the continuation after 2020 of the mechanism foreseen in Article 10c of the EU ETS Directive, which allows some Member States to opt to hand out free allowances to power plants in order to promote investments for modernising the energy sector. The current Article 10c modalities, including transparency, should be improved to promote investments modernising the energy sector, while avoiding distortions of the internal energy market.

With a view to reviewing and improving the current modalities as part of the revisions to the EU ETS Directive, the Commission seeks feedback on the following questions:

**4.1 How can it be ensured that investments have an added value in terms of modernising the energy sector? Should there be common criteria for the selection of projects?**

*4,500 character(s) maximum*

Investments should put Member States using Article 10c on track to catch up with those that are the most advanced in terms of GHG emission reductions. The added value of those investments should be measured by their performance in terms of GHG emissions per kWh.

**4.2 How do you see the interaction of the free allocation to energy sector with other sources of funding available for the same type of projects, e.g. EU co-financing that should be made available for the projects of common interest under the 2030 climate and energy framework? Would accumulation rules be appropriate?**

*4,500 character(s) maximum*

Companies insist on the fact that interconnections and modernisation of the energy sectors are different issues, which must be addressed on a separate basis. The corresponding sources of funding should therefore be kept separate, provided that, as recommended by companies, a system of dynamic allocation of allowances were combined with the deletion of the cross-sectoral correction factor (cf. 1.2). Indeed, the setting of ad hoc funds will inevitably increase the amount of allowances withdrawn from the market, which will impact negatively on companies' costs and competitiveness, investment capacities, etc.

**4.3 Do you have any views how the assessment of the projects should be reflected in the forthcoming 2030 governance process (e.g. as regards improving transparency)?**

*4,500 character(s) maximum*

The governance process must ensure transparency and availability of the funding.

**4.4 The maximum amount of allowances handed out for free under this option is limited. Do you think eligible Member States should use the allowances for a period of time specified in advance (e.g. per year), or freely distribute them over the 2021-2030 period? (Please explain your motivation.)**

*4,500 character(s) maximum*

The distribution of allowances to a given project by stages should be conditioned by the completion of the previous stages of the project. Therefore, the allowances could be delivered on a yearly basis: allowances in year X would be delivered after having checked the implementation of investments scheduled for the year X-1.

**4.5 Should there be priorities guiding the Member States in the selection of areas to be supported?**

- yes
- no

**Please explain in detail:**

*4,500 character(s) maximum*

The selection of projects to be supported by Member States must be technology-neutral.

**4.6 How can improved transparency be ensured with regard to the selection and implementation of investments related to free allocation for modernisation of energy? In particular regarding the implementation of investments, should allowances be added to auctioning volumes after a certain time period has lapsed in case the investment is not carried out within the agreed timeframe?**

*4,500 character(s) maximum*

Cf. answer 4.4

## 5. SMEs / regulatory fees / other

---

In order to allow taking stock of the EU ETS aspects beyond those examined by the European Council, respondents are also invited to provide feedback on certain other questions.

The Commission ensures that better regulation principles govern all of the policy work, including that the specificities of small and medium sized enterprise (SMEs) are taken into due consideration. Member States can exclude certain small installations from the EU ETS in the current trading period (2013-2020) if taxation or other equivalent measures are in place that will cut their emissions. If such a possibility was to be reviewed, a legal basis would have to be created in the EU ETS Directive.

The accurate accounting of all emission allowances issued is assured by a single Union Registry with strong security measures. The operations were centralised in a single Registry operated by the Commission, following a revision of the ETS Directive in 2009. This has replaced Member States' national Registries. Despite the considerable resources from the EU budget required for maintaining the EU Registry, as does supporting work on auctioning, the Commission does not have the possibility to charge any fees. However, Member States administrators may still charge Registry fees to account holders administered by them. There are discrepancies in fees across different Member States.

**5.1 Are there any EU ETS administrative requirements which you consider can be simplified? Do you see scope to reduce transaction costs, in particular for SMEs? If yes, please explain in detail.**

*4,500 character(s) maximum*

It is important that the allowances held by companies at the end of Phase 3 be directly transferred to Phase 4, avoiding a burdensome cancellation of allowances at the end of Phase 3 followed by a restoration in Phase 4.

**5.2 Member States had the possibility to exclude small emitting installations from the EU ETS until 2020. Should this possibility be continued? If so, what should be the modalities for opt-out installations to contribute to emission reductions in a cost-effective and economically efficient manner? Should these be harmonised at EU level?**

*4,500 character(s) maximum*

Companies believe that Member States' possibility to exclude small emitting installations from the ETS should be maintained after 2020. However, national frameworks (especially exclusion criteria) must be fully harmonised at EU level and decision making-processes must be made transparent.

**5.3 How do you rate the importance of a high level of security and user-friendliness of the Union Registry? Do you think the costs for providing these services should be covered via Registry fees?**

*4,500 character(s) maximum*

Companies call for a highly secured and user-friendly Union Registry. Yet, as Member States are already providing for its maintenance costs (= fixed costs), member companies do not see why those costs (excluding the costs of the services to users) should be covered by Registry fees. Instead, it would be fair that Member States use auction revenues to finance those costs.

**5.4 Do you consider discrepancies in Registry fees in different Member States justified?  
Should Registry fees be aligned at EU level?**

*4,500 character(s) maximum*

Operating costs of the Union Registry vary from one Member State to another, therefore creating distortions of competition within the EU. Member companies recommend that Registry fees be harmonised, or be made more convergent at EU level, and that calculation rules be more transparent and fairer (to ensure that fees reflect the level of service provided).

**5.5 Under the current EU ETS Directive, at least 50% of the revenues generated from the auctioning of allowances should be used by Member States for climate-related purposes. For the calendar year 2013 Member States have reported to have used or to plan to use 87 % on average to support domestic investments in climate and energy. Do you consider the current provisions regarding the use of the revenues adequate for financing climate action? If not, please explain why?**

*4,500 character(s) maximum*

Firstly, the possibility for Member States to use at least 50% of their revenues generated from the auctioning of allowances (as set up in the ETS Directive) for climate-related purposes is not binding. Secondly, it does not sufficiently target innovation process of the ETS sectors; therefore Member States have not enough focused their funding towards projects dedicated to reducing ETS sectors' emissions. Thirdly, the fact that Member States were to decide discretionarily up to 50% on the use of these revenues has created important distortions of competition for companies in the EU.

For these reasons, member companies believe that the decision on the use of auctioning revenues should be taken collectively through a process involving the Commission, Member States and the European Parliament, such as the codecision procedure, instead of being taken by Member States unilaterally. In this case, it would mean that 100% of those revenues would be earmarked at EU level to projects. Furthermore, the ETS Directive should clearly laid down that auctioning revenues must be used to fund projects mainly benefitting to ETS sectors. This is legitimate, as auctioning revenues stemmed from those sectors.

## 6. General evaluation

---

## **6.1 How well do the objectives of the EU ETS Directive correspond to the EU climate policy objectives?**

### **How well is the EU ETS Directive adapted to subsequent technological or scientific changes?**

*4,500 character(s) maximum*

The ETS Directive's objective to reduce emissions has been met. However, the allowance's price has not been the main driver for this reduction: it has been highlighted by experts that the growth of renewables and the rise of energy efficiency gains have been major drivers for emissions reduction in the EU since 2008, as well as the lower level than expected of economic activity. Furthermore, the ETS Directive has failed to provide long term visibility required to stimulate investments in low carbon technologies and processes and the "3x20" package for 2020 proved to lack internal consistency between the 4 different Directives (ETS, effort sharing, renewable energy, energy efficiency).

The ETS directive has under-estimated (i) the importance of CO2 efficiency targets in order to enhance investments and (ii) the need to tap in priority emission reductions from the non ETS-sector. Requiring 2/3 of the efforts from the ETS sector has resulted in high impacts in terms of competition distortions, whereas major efforts should have focused on emission reductions for buildings, cities and transport. Yet, the ETS Directive remains a relevant instrument to tackle climate change in order to drive investments to the most cost effective CO2 reductions. It also enables harmonisation throughout the 28 Member States, and therefore creates a level-playing field. But it needs to be adapted to changing economic conditions, in order to restore all key actors' confidence.

**6.2 What are the strengths and weaknesses of the EU ETS Directive? To what extent has the EU ETS Directive been successful in achieving its objectives to promote emission reductions in a cost-effective manner compared to alternatives, e.g. regulatory standards, taxation?**

*4,500 character(s) maximum*

Cf. Answer to question 6.1.

Member companies underline the following ETS Directive weaknesses: a) the lack of coordination with measures aimed at supporting renewable energies and energy efficiency in the EU, b) the benchmarks definition which is often too tight to reflect actual performance levels, c) the existence of the cross-sectoral correction factor which is redundant and counterproductive as it ultimately discourages the most performant companies to further invest in reducing their emissions, d) the fact that the ETS Directive does not solve the problem of indirect costs, but gives a mere possibility to Member States to compensate for it, which opens the way to distortions of competition among Member States.

The strengths of the ETS Directive are the following: a) it has inspired other countries, which might ultimately lead to the end of carbon leakage in Europe, b) it enables linking between different regions of the world in view of a progressive global coverage.

**6.3 To what extent are the costs resulting from the implementation of the EU ETS Directive proportionate to the results/benefits that have been achieved, including secondary impacts on financing/support mechanisms for low carbon technologies, administrative cost, employment impacts etc.? If there are significant differences in costs (or benefits) between Member States, what is causing them?**

*4,500 character(s) maximum*

1/ Member companies believe that the ETS Directive benefits must be assessed in the light of the decisions that will be taken by major competing economies on emission reductions.

2/ Compensation for indirect emission costs must be harmonised at EU level.

## 6.4 How well does the EU ETS Directive fit with other relevant EU legislation?

*4,500 character(s) maximum*

The EU has failed to coordinate the ETS with other energy and climate policies (non-ETS, renewable energy and energy efficiency) led at EU and national level: a) Uncoordinated national RES support schemes and increases of taxes on energy have led to significant additional costs. In some countries electricity prices have increased to such a level that they threaten the international competitiveness of the industry (especially for energy intensive companies); b) there has been a strong imbalance between the constraints imposed upon ETS sectors (manufacturing units or energy production units) and non-ETS sectors (mostly housing and transport sector, with the exception of the automobile industry). The formers bear most of the GHG emission reduction burden, whereas their competitiveness should be supported as a tool to restore growth and employment in Europe. Also, it has to be recalled that penalties for not reaching the targeted GHG level only apply to ETS sectors, while no clear sanctions are defined for non-ETS sectors. Furthermore, neither the EU nor Member States have set clear targets for year 2020 for the specific sectors constituting the non-ETS emissions.

In conclusion, these are the reasons why companies favour a single binding EU target up to 2030, expressed in terms of GHG emission reduction.

**6.5 What is the EU value-added of the EU ETS Directive? To what extent could the changes brought by the EU ETS Directive have been achieved by national measures only?**

*4,500 character(s) maximum*

The EU value-added of the ETS Directive has been to avoid fragmentation of the European carbon market along national borders.

## 6.6 Do you have any other comment on the revision of the EU ETS Directive that you would like to share?

*4,500 character(s) maximum*

Member companies insist on the fact the ETS is the relevant instrument, but the models tailoring the ETS should be subject to more transparent governance rules. This demand applies in particular to the technical and economic models (e.g. PRIMES) used by the Commission to calculate parameters of huge importance (such as the “auctioning factor” or the “CO2 emission factor” both of crucial significance for the setting up, by the Commission, of the list of sectors exposed to carbon leakage).

Companies note that in the present consultation, the Commission has not raised the issue of the future of CERs, which are a tool designed to lower the abatement cost of emissions. Companies recommend that CERs continue to be useable by ETS sectors which face high abatement costs.

Important questions are also the fungibility of EU allowances in the context of the international carbon market, and the way to link the EU ETS with other cap-and-trade systems.

### Contact

✉ [CLIMA-ETS-STRUCTURAL-MEASURES@ec.europa.eu](mailto:CLIMA-ETS-STRUCTURAL-MEASURES@ec.europa.eu)

---