VERBUND position on the legislative proposal adjusting the EU-ETS post 2020

Proposal for a

Directive of the European Parliament and of the Council

Amending Directive 2003/87/EC to enhance cost-effective emission reductions and low carbon investments
15.7.2015

VERBUND welcomes the legislative proposal of the EU Commission to adjust the EU Emission Trading System post 2020. With the proposal, the EU Commission implements the agreement achieved by the Heads of State on 24 October 2014 on the EU climate and energy policy up to 2030.

Given the price deterioration on the CO2 market in the last few years, which has led to a certificate price in the single digit range, it is obvious that the EU emission trading system in its present design does not have any steering effect towards decarbonisation.
Therefore, after having introduced the market stability reserve as a first step to reduce the certificate surplus, a fundamental reform of the EU ETS post 2020 is necessary. The ETS has to be shaped in a way to incentivise market participants through CO2 prices to invest in low carbon technologies. At the same time VERBUND takes the view that an effective protection of those industry sectors is required which are exposed to international competition and would be disadvantaged by a strict European climate protection system. In order to avoid losses in employment and value creation, effective carbon leakage rules should be introduced and at the same time efforts to reach a global climate protection agreement stepped up.

VERBUND particularly welcomes the following elements of the legislative proposal:

- **Commitment of the EU Commission to the 2030 Energy and Climate goals**

VERBUND welcomes the 40% CO2 reduction goal by 2030 and supports the Commission in its attempt to advance decarbonisation in Europe.

- **Increase of the linear reduction factor to 2,2%**

VERBUND supports raising the linear reduction factor from currently 1,74% to 2,2% as of 2021 (factor by which the yearly distributable amount of CO2 certificates will be reduced). The new linear reduction factor would support reaching the 2030 CO2 reduction goal.

- **Establishment of effective carbon leakage rules for energy intensive industry being exposed to international competition**

As long as economic areas are not undertaking comparable climate protection measures, VERBUND believes that adequate carbon leakage rules are absolutely necessary in order to maintain Europe's competitiveness.

VERBUND welcomes the suggested provisions on Carbon Leakage. On the one hand, they provide effective protection for the European energy intensive industry. On the other hand, they allow for a targeted process of allocating allowances in the future.

In VERBUND's view it is central that no windfall profits can be gained by free allowance allocation. If the output remains below the allocated allowances, these unused allowances should be returned. Similarly, if not enough allowances had been allocated, carbon leakage sectors should be able to obtain additional certificates to cover their demand for allowances.

VERBUND would have appreciated a harmonised methodology for calculating indirect costs of CO2, as this could have prevented a fragmentation of the internal market.

By establishing fair allocation rules for energy intensive industry, the competitiveness of the European industrial sectors can be maintained even with a stringent climate protection framework in place.

- **Innovation Fund (NER400) und modernisation fund**

VERBUND welcomes the provisions on the innovation fund and on the modernisation fund. The increase of allowances for the innovation fund (from the previously NER300 to NER400) and the possibility of funding low carbon technologies also in the industrial sector is a positive step towards an ambition climate framework, which also takes industry's interests into consideration.

- **Use of international credits**

VERBUND supports the intention to achieve the 40% CO2-reduction by 2030 within the EU Member States. Credits from international projects should therefore only be allowed up to 2020 in order to generate the required investment in low carbon technologies within the European Union.