

27 February 2013

BUSINESSEUROPE'S response to the public consultation on *structural measures* for the EU ETS

Business has called for a stable, predictable legislative framework which is indispensable for business' investments. This has been provided by the EU Emissions Trading Scheme through to 2020 with its parallel measures on carbon leakage to protect those industries that are under threat from international competition. BUSINESSEUROPE supports the EU Emission Trading Scheme (ETS) as a tool to assist business in making cost-effective emissions reductions. With the aim of improving predictability on the long term, European business is committed to playing an active role in discussions about post 2020 climate and energy policy solutions.

Short-term measures, such as the ETS "backloading" proposal are opposed by BUSINESSEUROPE as they undermine the regulatory predictability through to 2020 as established under the EU ETS and further deteriorate the global competitiveness of Europe. Similarly, all the options proposed within the "Report on the state of the European carbon market in 2012" are only short-term measures that would not provide a comprehensive solution which would stimulate long-term growth and investment in Europe.

BUSINESSEUROPE opposes any unilateral increase of the emission reduction target for 2020 unless other industrialized countries assume comparable emission reductions and developing countries put in place measures to fight climate change with their respective capacities.

To move forward and provide business with a stable, predictable regulatory framework post 2020 that will give business the confidence to invest within Europe and encourage growth and the development of sustainable businesses whilst incentivizing emissions reductions, a number of actions must be taken:

- A transparent debate involving all stakeholders on the structural reform of climate, energy and industrial policies post 2020 is needed. BUSINESSEUROPE therefore welcomes the expected green paper on 2030 climate and energy policy and looks forward to engaging constructively with the consultation process.
- Strengthening the competitiveness of all European business sectors while promoting their sustainability is crucial. Policy must be designed smartly to avoid additional costs driving investments away from the EU, leading to carbon leakage or triggering



trade wars. Many European businesses - often the most CO₂ efficient in their class - compete globally, so it is vital that sectors at risk of carbon leakage are adequately supported on an evidence-based basis. This means ensuring that the free allowance system is working effectively and also considering new options for better supporting European industry going forward such as the recycling of auctioning revenues.

- Forward-looking industrial policy must give priority to boosting research and innovation to develop technologies enabling emissions reductions in all sectors. This can best be achieved by improving the research and innovation legal framework and providing adequate financing to EU programmes. In this context, the role of Horizon 2020 is essential to ensure a sustainable recovery and strengthen the European economy.

Therefore, in order to address all these key issues, the EU needs to discuss structural measures which effectively address the root cause, rather than the symptom and which would improve the EU climate and energy package as a whole. These discussions will include: how to make more coherent the structure of EU climate, energy and industrial policies; how to protect the competitiveness of EU businesses exposed to international competition; how to give confidence to investors and the role of a carbon price in giving such confidence.

It is essential to provide stronger coordination of the EU energy, climate and industrial policies towards 2030. Only after establishing a long term vision should there be consideration of shorter-term actions to ensure achievement of such a vision. Advocating shorter term measures such as those proposed in the Carbon Market Report can only undermine predictability for business and confidence in the EU ETS.
