



**Dr Ian Duncan**  
Member of the European Parliament  
European Parliament  
Rue Wiertz 60  
BE-1047 Brussels  
BELGIUM

30 January 2017

Dear Member of the European Parliament,

BusinessEurope fully supports the revision of the EU Emissions Trading System (EU ETS). This reform is the last chance to provide the right framework and price signal to decarbonise European industry, while simultaneously safeguarding its competitiveness on the global stage. The ENVI committee managed to strike a fair balance on many aspects of the reform. However, with a view to the plenary vote, BusinessEurope calls on the European Parliament to reconsider the following key issues:

- **Remove the import inclusion scheme (IIS).** The IIS would create an artificial distortion between sectors receiving free allocations and sectors being under the scheme. Furthermore, it will be very difficult to implement in practice, can be challenged under the World Trade Organisation (WTO) on several grounds, and risks triggering economic retaliation from Europe's trading partners.
- **Remove the thresholds of the cross-sectoral correction factor (CSCF).** The proposed 5% shift from auctioned to free allowances is welcomed as it reduces the risks of a CSCF, but the risks are certainly not zero. A CSCF with thresholds would again create distortions as it would exempt sectors that account for about one third of all free allowances under Phase IV, which means that the other sectors would be hit much harder. The CSCF should be prevented as much as possible, but if it is triggered it should be done so in a non-discriminatory manner.
- **Keep the linear reduction factor (LRF) at 2.2%** as long as Europe's main trading partners have not implemented comparable measures. If global ambitions converge in the near future, the first opportunity to revise the LRF will already be during the 2023 global stocktake under the Paris Agreement.
- **Make benchmarks as realistic as possible** by updating them using the most recent industry data.

We count on you to address these key issues in your negotiations ahead of the plenary vote. On those and other issues, BusinessEurope will keep engaging in a dialogue with EU policy-makers.

Yours sincerely,

Markus J. Beyrer