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Mr. Stavros Dimas
Commissioner for the Environment
European Commission
Rue de Loi, 200
B – 1049 BRUSSELS

Amsterdam, 20 June 2005

Dear Mr. Dimas,

The European Federation of Energy Traders (EFET) represents 75 companies that are active in trading energy commodities throughout Europe. As such, EFET members are active participants at the core of the EU Emissions Trading Scheme. Furthermore, EFET members have gained experience in other Greenhouse Gas emissions trading schemes, like the UK ETS.

EFET recognises the progress the European Union has made in addressing the global challenge of climate change. The use of flexible instruments such as emissions trading and project based emissions reductions are welcomed by EFET members, as this approach to mitigating Greenhouse Gas emissions will provide emission reduction at lower cost. The EU has established a union wide emissions trading scheme through adoption of Directive 2003/87/EC. January 1st of 2005 marked the launch of the world's largest emissions trading scheme, comprising approximately 12,000 installations from the 25 EU Member States.

Based on the experience that EFET members have gained by actively participating in the EU ETS, the Task Force Emissions Trading has drawn up a number of recommendations to further improve the functioning of the European emissions trading scheme. The market should be governed by three key principles: timeliness, clarity and harmonisation. Following these principles will provide necessary liquidity to the market, promote a level playing field and improve the transparency of the scheme.

EFET also addresses a number of specific issues. Inclusion of other gases and sectors will improve the liquidity of the market, but only if certain preconditions to this inclusion are met. The use of JI and CDM

credits should not be discouraged by quantitative limits or additional eligibility criteria for projects. Furthermore, problems regarding the legal status and financial

accounting of allowances need to be addressed by the Member States in conjunction with the European Commission.

We thank you in advance for your attention and trust you will take our recommendations into account. EFET gladly offers its assistance and expertise to support the review process of the EU ETS.

Yours sincerely,



Helma Kip
Chairperson
General
EFET Task Force on Emissions Trading



Jan van Aken
Secretary
EFET

Enclosure: EFET Position on the EU ETS Review

Copies of this letter and the enclosed EFET paper will be sent to:

Catherine Day, Jos Delbeke, Peter Vis, Artur Runge-Metzger, Peter Zapfel,
Madeleine Infeld, Olivia Hartridge (Environment DG)
Members of the Committee on the Environment, Public Health and Food Safety
Members of the Committee on Industry, Research and Energy
Members of the Committee on Transport and Tourism
Members of COREPER