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EFET welcomes the proposal of the European Commission for structural reforms of the EU ETS

The European Federation of Energy Traders (EFET)[1] welcomes the Report of the European Commission on the State of the European Carbon Market in 2012, published earlier today. As a measure of political commitment, we see the Commission's initiative to implement structural reforms within its climate change policies as an essential step towards strengthening the EU Emissions Trading System (EU ETS).

We also welcome the proposal to back-load 900 million allowances in the third phase of the EU ETS, published earlier this week. However, it is important to make it clear that the proposed back-loading should be a one-off measure only, complementing a comprehensive discussion of longer-term structural reforms of EU climate policies, including:

- Revision of the cap of the EU ETS Directive in light of the EU 2050 roadmap goals
- Harmonisation of RES support schemes across the whole of the EU
- Greater coherence of all three main EU climate change policies, i.e. emissions trading, increase of energy efficiency and support of renewable energy sources

In the coming weeks, we will analyse in detail the range of possible structural measures outlined in the Report and we would encourage prompt consultation with market participants. In the meantime, we would like to restate our position on the key elements to a long-term structural reform of the EU ETS.

To provide the necessary regulatory certainty and ensure the needed investments, we suggest reaffirming the commitment of the EU to the 2°C target by formally adopting the EU Energy Roadmap 2050, and deducing from this an interim greenhouse gases (GHG) emission target for 2030 and an appropriately timed adjustment of the reduction factor.

Furthermore, in our view the EU ETS Directive could and should be revised by 2016 at the latest. Without a swift and decisive EU ETS reform we will experience a prolonged period of low EUA prices, during which the EU ETS will provide no signal for investment in low-carbon technologies and the decarbonisation of the European economy will suffer from a significant loss of momentum.

Lastly, more coherence among the EU 20-20-20 goals is needed. The abatement goals of the EU ETS Directive currently do not reflect the achievements of EU renewable energy sources and energy efficiency policies. In the future, the growth of renewable energy sources and the efficient use of energy should be promoted primarily by the carbon price set within the EU ETS and by means generated through EUA auction revenues.

For further details, see the EFET Response to the EC Consultation on the Review of the Action Time Profile for the EU Emissions Trading System from 16th October 2012.

For further information, please contact:
Maria Popova, M.Popova@efet.org

[1] The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. EFET currently represents more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org.