



**COUNCIL OF  
THE EUROPEAN UNION**

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#### **INFORMATION NOTE**

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from: General Secretariat  
to: Permanent Representatives Committee/Council

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Subject: Proposal for a Decision of the European Parliament and of the Council amending Directive 2003/87/EC clarifying provisions on the timing of auctions of greenhouse gas allowances  
- Outcome of the European Parliament's proceedings  
(Strasbourg, 15 to 18 April 2013)

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#### **I. INTRODUCTION**

The Rapporteur, Mr Matthias GROOTE (S&D-DE), presented a report consisting of nine amendments (amendments 1-9) to the proposal for a Decision, on behalf of the Committee on Environment, Public Health and Food Safety.

The EPP political group tabled two further amendments (amendments 10 -11), the EFD political group three (amendments 13, 15 and 16), and a group of more than 40 members from the EPP and ECR political groups tabled one amendment (amendment 20), which recommended rejecting the Commission's proposal.

## **II. DEBATE**

The debate, which took place on 15 April 2013, was opened by the Rapporteur who:

- noted that the Commission proposal aims to adapt the auction timetable of the European Union Emission Trading System (EU ETS), with the result that the surplus of greenhouse gas emission allowances should be reduced.
- supported the Commission's proposal as a short term measure in order to ensure that the carbon price will go up again. If the price is too low - as is the case at the moment - there is no incentive to invest in low carbon technologies and to enhance sufficiently sustainable scientific and technological innovation. Further structural and long term changes to the ETS are needed for the fourth trading period which will start in 2021.
- stressed that he had introduced a safety net in the report by limiting the Commission's possibility to intervene on the market to one occasion only until 2020.
- noted that, at the same time, a recital has been proposed which should make sure that the interests of energy intensive industries have been taken into account.
- pointed out that many colleagues are sceptical regarding the intervention of the Parliament on the market, but stressed that this is the role of a parliament if the market does not function well, and that it has been done on many occasions before.
- noted that there is a risk that the ETS falls back into the responsibility of Member States, resulting in a fragmentation into 27 different systems.

Commissioner Connie HEDEGAARD:

- stated that the basic idea of the EU ETS is that the right to pollute the climate is a scarce resource that has a price. It is a key-tool in the Union's efforts to meet its climate objectives.
- regretted that the system is currently not meeting all expectations. The demand for allowances has dropped, which has resulted in a sharp fall in prices.
- justified the Commission's intervention on the market as necessary and stated that the market was politically created and therefore needs to be corrected by the legislator when the assumptions upon which the legislation was based no longer reflect the current reality. Furthermore, the Commissioner confirmed that there will be only a single intervention on the market between now and 2020.
- stressed that blocking the sale of 900 million allowances (so-called *backloading*) will have no influence on the amount of free allowances given to energy intensive companies.
- pointed out that market analysis has shown that *backloading* will not have any negative influence on the electricity price and does not raise a risk of carbon leakage.
- saw a risk of renationalisation and fragmentation of the market if the Commission's proposal is not approved by the Parliament and Council very soon.

Speaking on behalf of the Committee on Industry, Research and Energy, Mrs Amalia SARTORI (EPP-IT):

- stated that the Committee on Industry, Research and Energy has rejected the proposal for *backloading* allowances; an intervention on the self-regulated market is not acceptable.
- pointed out that European industries are already in serious difficulties and increasing the electricity cost would make the crisis worse.

Speaking on behalf of the EPP political group, Mrs Eija-Riittaa KORHOLA (EPP-FI):

- thanked the Rapporteur for not rushing this dossier through as a first-reading agreement.
- stressed the fact that *backloading* will cause the prices for emissions to go up, and that the planned changes to the market are artificial and distorting.
- spoke in favour of a fair and level playing field in the energy sector and saw a need for structural changes to the EU ETS.
- questioned the Commission's worries that without *backloading* the climate and energy policy would be renationalised and fragmented.

Speaking on behalf of the S&D political group, Mr Dan JORGENSEN (S&D-DK):

- stressed that *backloading* is needed in order to create incentives for big companies to produce low carbon technology and invest in green energy.
- noted that *backloading* is necessary to meet the targets of the Union climate policy.
- pointed out that the price for carbon-dioxide is so low at the moment that there is a risk that the ETS falls apart.
- argued that therefore every member should vote in favour of the Commission proposal with a view to its approval during the vote in plenary on the next day.

Speaking on behalf of the ALDE political group, Mr Chris DAVIES (ALDE-UK):

- supported the Commission proposal and saw in it a correction of mistakes that were made at the moment of the creation of the ETS.
- called for a structural revision of the EU ETS in the long term, but saw in *backloading* a first step towards the necessary correction, in order to reach the target of a 40 % reduction of CO<sub>2</sub> emissions by 2030.
- appealed to his colleagues from the United Kingdom in the ECR political group to support the Commission proposal, as the UK has already established a system that goes further than the European system. The measure is necessary in order to guarantee a level playing field for British industry, to promote low-carbon investments across the whole of the European Union and to give incentives to the renewable and nuclear power industries,.

Speaking on behalf of the Greens/EFA political group, Mr Bas EICKHOUT (Greens/EFA-NL):

- stressed that the future of the EU ETS is at stake.
- noted that the measure is not against industry, as the industry receives still 85 % of its allowances for free. Some industry sectors even support the *backloading* proposal.
- supported the Commission proposal as a first step in order to gain time, and then to discuss and decide about the necessary structural changes to the EU ETS.

Speaking on behalf of the ECR political group, Mr Konrad SZYMANSKI (ECR-PL):

- noted that this proposal has to be seen in a wider economic context. Many Member States' growth rates are very low and they are experiencing a crisis. There are already high unemployment rates, and an increase in the carbon price as the Commission proposes would put all the energy intensive industries at a disadvantageous position, and put job at risk.
- rejected the Commission's proposal, and asked for a boost for and restart of European industry, instead of putting it under further pressure.

Speaking on behalf of the EUL/NGL political group, Mr Joao FERREIRA (EUL/NGL-PT):

- rejected the proposal on *backloading* and found the EU ETS in general ineffective and full of frauds and flaws. Taxpayer's money is wasted and lost while big polluters make huge profits by selling allowances which they receive for free.
- pointed out that ETS does not protect nature or the climate, as there was no reduction in emissions, and therefore asked for an end to the carbon market.
- spoke in favour of alternative measures in order to meet the Union's socially sustainable and ecological goals.

### III. VOTE

When it voted in plenary on 16 April 2013, the European Parliament adopted amendment 20 which rejects the Commission's proposal. Consequently, the other amendments tabled were not voted upon.

In accordance with Rule 56 of the Parliament's Rules of Procedure, the Commission was then asked to withdraw the proposal. The Commission representative responded that the Commission would consider its options. Consequently, the matter was referred back to the Committee on Environment, Public Health and Food Safety.