



**COUNCIL OF  
THE EUROPEAN UNION**

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**NOTE**

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from:	General Secretariat
to:	Delegations
Subject:	Proposed changes in the volumes of greenhouse gas emission allowance to be auctioned in 2013-2020 (Backloading) - Impact on budget incomes = Information from the Polish delegation

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Delegations will find in Annex an information note from the Polish delegation on the above-mentioned subject, which will be dealt with under "other business" at the Council (Environment) meeting on 17 December 2012.

**Proposed changes in the volumes of greenhouse gas emission allowance  
to be auctioned in 2013-2020 (Backloading)**

**Impact on budget incomes**

**- Information from the Polish delegation -**

Following the first discussions in the Climate Change Committee and the publication by the Commission of the Impact Assessment for the *draft Regulation amending Regulation (EU) No 1031/2010 in particular to determine the volumes of greenhouse gas emission allowances to be auctioned in 2013-2020*, Poland would like to raise the subsequent issues:

1. Poland maintains its position on backloading and thinks that such intervention in the functioning market mechanism is against its philosophy and undermines its predictability and credibility. The ETS Directive does not aim at maintaining of a certain level of the CO<sub>2</sub> price but only at the cost efficient reduction of emissions. Low price of CO<sub>2</sub> is the evidence that the market system is functioning. To put it simply, emissions follow economic activity. In crises such as the one we are experiencing today, the economy struggles and emissions drop, and so does their price. Interventions such as backloading could reduce the ability of the market to adjust itself to changing conditions and therefore could seriously impede economic recovery in the EU as the recovery in fossil fuel based economy would inevitably mean more emissions.

2. Apart from the facts mentioned above and repeatedly raised by Poland on different fora, we would like to point out the negative impact of backloading as proposed by the Commission on countries with 10c derogation in comparison to other member states. In the case of Poland, the introduction of the backloading proposal will result in close to zero revenue from the sale of allowances in 2013 for the national budget, as clearly stated in the EC Impact Assessment. Taking under consideration the advanced stage of the 2013 national budget preparation, and the fact that these revenues were already taken into account within the draft budget, Poland is concerned that the introduction of backloading will deprive the national budget of the envisaged incomes for 2013 and might therefore endanger the implementation of Polish climate and environmental policies, jeopardising Poland's compliance with the targets adopted under the EU climate and energy package. This would also impede our efforts, in the medium term, to further reduce the general government deficit.
  
3. The effect of the backloading proposal will significantly vary between the Member States. According to a study developed by the National Centre for Emissions Management (KOBiZE), in November 2012, in the case of Poland, the backloading proposal would imply **an estimated total net loss for the state budget in the value of over 1 billion euro** over the period 2013-2020. Poland sees this exercise as introducing another element differentiating the impact of ETS on individual Member States to the detriment of some, especially. Through backloading EC changes the balance of burden on each and every Member State. Therefore the claims that the backloading does not change Impact Assessment performed for the climate and energy package seem unjustified, not to mention other elements undermining initial analysis incl. EU-Australia one way link and changes as regards the application of ETS in the aviation sector. Moreover, the effect of backloading as calculated by Poland and confirmed largely by the EC Impact Assessment clearly infringes on the philosophy of Art. 10c. Instead of alleviating the increased burden on certain Member States, it deprives them of the possibility to limit the impact of power sector auctioning also through redistribution of auctioning revenues.

4. On 30 November, the Commission tabled a document entitled *Fiscal impacts on backloading*. This document, similarly to our analysis, aims at assessing the impacts of backloading on the budgetary incomes of Member States. However its results show far more encouraging results in terms of budgetary revenues across the EU. The reasons for that are two-fold. First, the Commission analysed only the first period of backloading, when the price and therefore auctioning revenues are expected to go up, leaving out the period when allowances come back onto the market and their price, and revenues drop. Two, the price assumptions adopted by the Commission in the paper are different to those included in Commissions's IA. Poland based its analysis purely on the Commission's IA and no additional material was used for the sake of consistency. The differences are shown in a study developed in December 2012 by the National Centre for Emissions Management (KOBiZE).

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