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"I/A" ITEM NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
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 (first reading) Adoption of the legislative act (LA + S) = Statements

<u>Statement by Belgium, Denmark, Estonia, Italy, Luxembourg, the Netherlands, Sweden ,</u> <u>Slovenia and the United Kingdom</u>

1. We are firmly committed to the EU Emissions Trading System (ETS) as being at the heart of the EU's climate change and low carbon investment policies up to and well beyond 2020.

- 2. However, we remain deeply concerned that the ETS as currently designed cannot provide the price signals needed to stimulate the low carbon investment needed now because of the significant imbalance between demand and supply in the ETS in recent years leading to a very low carbon price. These issues also threaten the credibility of carbon markets as the most flexible, cost-effective way to achieve emissions reductions.
- 3. Backloading is a first step to provide a short term fix pending structural reform of the EU ETS. However, there is an urgent need for a renewed focus on more substantive measures to strengthen the system. We now urge the Commission to bring forward, by the end of the year at the latest, proposals to perform a proper structural reform of the EU ETS, in order to give investors a clear signal on Europe's low carbon ambition beyond 2020 and to stimulate low carbon investments and the most cost-effective emission reductions.

Statement by Poland

In our opinion any interference in the EU ETS is not needed, because the EU ETS is presumably a market mechanism, which has to lead to anything other than reducing emissions in the most costeffective way.

Political and legal actions aimed at temporary reduction in the number of allowances in the system may temporary increase their prices, but will certainly have negative impact on the reliability and predictability of the system, reducing the confidence of its participants.

Proposals for political intervention in the EU ETS market may actually be seen as a clear signal of the instability of the market, adversely affecting the investment decisions in the industry. Ad hoc solutions changing the rules during the game are harmful to the credibility of the market and may even cause an increase in global emissions due to carbon leakage.

In addition, the problem arises when the allowances previously withdrawn from the market are re-introduced to the market at a later date. Such actions will not change the situation on the market, except that volatility will increase in the short term. Current proposal will give Commission rights to intervene in the market in which it should be only the regulator. It is a dangerous precedent that could change the market nature of the ETS and could threaten the achievement of the objectives of the system in a cost effective manner.

Taking the foregoing into account, Poland **cannot support the proposal** and **votes against** its adoption.
