Review EU ETS

Maurits Blanson Henkemans  Netherlands

Continue and improve EU ETS - key issues
- Harmonisation
- Level-playing-field
- Environmental effectiveness
- Tackle windfall profits

Cap setting
- EU cap for EU ETS sector no burden sharing.
- EU reserve for new entrance

Allocation
- Maximise auctioning
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Cap setting: new way of sharing EU efforts

- EU ETS cap at EU level
  ➢ ETS allocation based on EU rules by Com or MS?
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Cap setting: advantages EU ETS Cap

• Ensure "fairness"
  > less difference in allocation for similar firms in different Member States - level-playing-field

• Ensure simplicity
  > cap based on overall EU target: simple

• Ensure environmental effectiveness
  > Avoid "race to the bottom" in cap-setting
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Allocation: why maximize auctioning?

- CO2 market price is included in the electricity and product price (ECN study/ Ecofys)
- Windfall profits for most sectors
- Auction ensures that profits go from companies via Governments to be used for tax relief or environment investments
- Simple approach

If no global climate regime:
- Acceptance of grandfathering based on benchmarks for some exposed sectors (study)
Experience on auctioning 2008-2012

- GER/UK/NL/Belgium/Poland will start
- We will try to harmonise approach
- Transparent/no market distortions/ profit max
- Revenues:
  - Small elect. Consumers (NL)
  - State budget (UK)
  - Some Industrial sector (aluminium ?? NL)
  - Developing countries (Germany)
- Forward/ sport ?
- Frequency