

Review EU ETS

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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

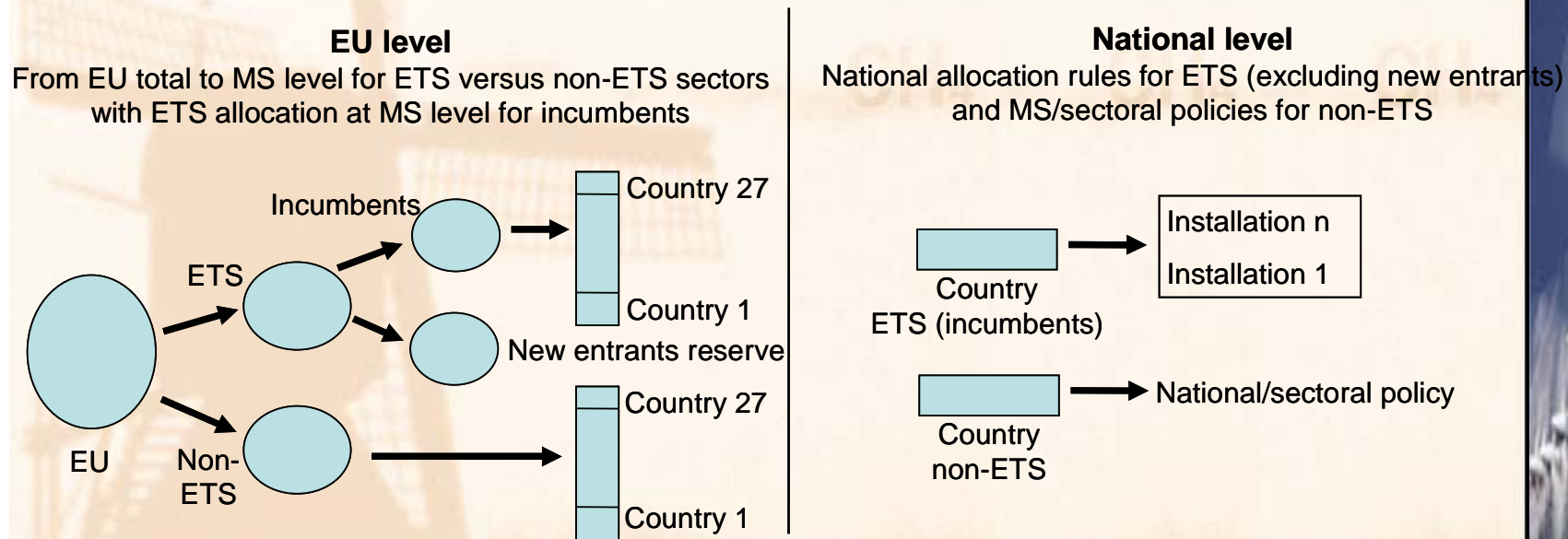
- Maximise auctioning



Review EU ETS - 2

Cap setting: new way of sharing EU efforts

- EU ETS cap at EU level
 - ETS allocation based on EU rules by Com or MS?



Review EU ETS – 3

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

