Eurogas response to the European Commission Consultation on the preparation of a legislative proposal on the effort of Member States to reduce their greenhouse gas emission reduction commitment in a 2030 perspective

11 June 2015

Question 3: How can cost-effectiveness be reflected in a fair and balanced manner in adjusting individual effort sharing decision targets for Member States with a GDP per capita above the EU average? What can be the role of the one-time reduction through a limited amount of ETS allowances in achieving these Member States' ESD targets, while preserving predictability and environmental integrity?

In general, creating links between the Emissions Trading System (ETS) and non-ETS sectors should be avoided. The ETS is a Europe-wide scheme, while non-ETS sectors are not, as they are managed by Member States individually. Given this fundamental difference, the value of greenhouse Gas (GHG) reductions in respect of one ETS allowance will not be the same value as the equivalent GHG reduction in the non-ETS sectors. This mechanism will therefore distort the ETS when used. For this reason, the rules relating to its use must be established so as to maximise transparency and minimise the resultant distortions. There is also a danger that the mechanism contributes to the ETS becoming overly complex for participants to understand, therefore simplicity should be an objective in setting out the prescriptive rules for this mechanism.

Ideally, Member States should prioritise trading with other Member States on non-ETS credits before using this mechanism and it should not undermine this inter-Member State trading. While the mechanism has been set-up to accommodate specific Member State circumstances, there is a danger that its use is applied for a much wider variety of circumstances than originally intended. There may be a temptation by all Member States who can do so, to avail of this mechanism. This could in turn put an unfair burden on the ETS. Therefore, the criteria for "a limited one-off, reduction of the ETS allowances" must be prescriptive in nature and provide safeguards for the ETS.

"Limited": there should be a defined individual limit of transferrable allowances for those Member States who can avail of this mechanism. This will allow for a combined maximum limit of ETS allowances that could be used. The limits should be clearly set out before 2020, with no room for further amendments. Experience in the past with international credits has shown the detrimental effect that trading in and out of the ETS can have.

"one–off": the criteria for 'one-off" should be elaborated so that the timing of Member States plans for utilising this option are foreseen. While recognising that its use must be decided before 2020, the application should be limited to the period 2020-2030.

The European Commission (EC) should report annually on the use of this option, to ensure transparency to ETS participants.

Reasons for use: Given the potential detrimental impact this measure could have on the ETS, the EC should prepare guidelines with assessment criteria for use of the mechanism. Member States intending to use this mechanism should be required to provide a report to the EC seeking to use the measure. The report should explain in detail the need for the measure and set out:

- For which sector it will be used;
- Why other measures did not work;
- What is the impact on competition – is it state aid?

Question 5: Is the current scope of EU-wide action and legislation OTHER than the ESD to support Member States' emission reductions in ESD sectors sufficient, or should it be enhanced?
a) The current scope is sufficient; or
b) The current scope should be enhanced.

Answer = a

Europe currently has a host of EU legislation to help Member States reduce their GHG emissions in the non-ETS sectors. This legislation was crafted with the EU's targets for GHG reductions in 2020 in mind and there should be a continued focus on the delivery of this target in the coming years. The priority must be on the enforcement of existing legislation:

- Placing additional legislation on top of legislation that is not already implemented correctly would create complexity.
- Strict enforcement of existing legislation also allows for the correct identification of strengths and weaknesses when reviewing legislation, with a mind to the future.

However, the need for new legislation should be assessed on a regular basis.