

### **Eurogas President Klaus Schäfer urges European Parliament and Council to make the ETS work**

**Brussels, 26 October 2016: The new Eurogas President Klaus Schäfer, CEO of Uniper, calls upon the European Parliament and Council to seize this unique opportunity to turn the EU Emissions Trading System (ETS) into the most cost-efficient instrument to reduce greenhouse gas (GHG) emissions or face a host of uncoordinated national decarbonisation measures.**

*“Discussion to date on the revision of the EU ETS Directive have largely focused on carbon leakage issues. Whilst it is important that these issues are resolved in a satisfactory manner to protect European industry from competitors who are not subject to the same rigorous regime, now is the time to adapt the ETS in such a way that GHG emissions are reduced cost-efficiently via the carbon price,”* says Mr Schäfer.

*“If the adaptations made are not sufficient, Member States will resort to national measures, uncoordinated at EU level, some of which we are beginning to see, such as isolated carbon-floor prices and emissions performance standards,”* he added.

The most straightforward way to strengthen the ETS is to increase the rate at which surplus allowances are injected into the market stability reserve until the large oversupply is reduced.<sup>1</sup> The EU agreed that the market stability reserve should be used to remove the oversupply of allowances, so why not speed the process up rather than waiting another five years or so? Alternatively, there are proposals for effective price-based mechanisms that deserve consideration.

The ETS is also the most cost-efficient way of reducing carbon dioxide (CO<sub>2</sub>) emissions in power generation, particularly by gas replacing coal. However, it is the case that there has been increased electricity production from coal, thus displacing electricity generation from gas – a primary factor being low carbon prices.<sup>2</sup> This has resulted in a negative impact on carbon emissions. Increasing the load factor of gas-fired generation in the recently published EU Reference Scenario from 36% to a still modest 65% would reduce CO<sub>2</sub> emissions by approximately 300 million tonnes per annum. At the same time, using more gas than coal would improve air quality by reducing emissions of SO<sub>x</sub>, NO<sub>x</sub> and particulates.<sup>3</sup>

Mr Schäfer continued: *“If the EU does not seize the moment of opportunity for the ETS and to avoid Member States taking action in an uncoordinated manner, additional measures, such as emissions performance standards consistent with the ETS and applied consistently at European scale should be considered to bring about a fuel switch from coal to gas in the power sector.”*

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<sup>1</sup> The oversupply of ETS allowances is currently at approximately 1.8 billion allowances.

<sup>2</sup> *EU Energy in Figures*, Gross Electricity Production, EC, 2.6.2. Electricity production from solids was marginally higher in 2014 than in 2010, while electricity produced from gas was 35% low in 2014 compared with 2010.

<sup>3</sup> European Environment Agency, Plant-by-plant emissions of SO<sub>2</sub>, NO<sub>x</sub> and dust and energy input of large combustion plants covered by Directive 2001/80/EC.

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Note to Editors: Eurogas is an association representing 46 companies and associations engaged in the wholesale, retail and distribution of gas in Europe. Eurogas provides data and information relevant to EU decision makers and opinion formers in making the right policy choices.

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