PROJECT
DEVELOPER
FORUM

To: MEPs, Environment Committee

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From	gareth.phillips@pd-forum.net
Date	24th January 2013
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Subject	**EU ETS Backloading Proposal**

Dear MEP,

Please find attached a briefing note from the Project Developer Forum (PD Forum) on the Ccommission's backloading proposal.

The PD Forum in brief:

- We are companies which initiate low carbon and clean technology projects around the world
- **21 of our 50 members are European companies**
- We are responsible for over 20% of the €160bn of investment in clean energy through the Clean Development Mechanism
- **We have created and sustain thousands of European jobs in a new industry** embracing, environment, technology, finance, trading, audit and verification

We urge you to support both the Commission's proposal and the Rapporteur's Report for addressing the massive surplus of carbon allowances in the EU ETS:

- A well-functioning EU ETS helps create an energy and emission efficient economy which:
  - creates **up to 2.8m jobs in renewable energy and 2m jobs in energy efficiency**
  - reduces imports of fossil fuels
  - allows Europe to better compete in the global clean technology race
- However, if you vote against the Commission's proposal and the Rapporteur's Report, you will be signalling that a low-carbon infrastructure and millions of European green jobs are not important to you
- Restricting carbon allowances will also **increase auction revenues for all EU member state by €107bn from 2013 to 2020**
- The EU ETS, the world's flagship emissions trading scheme, sets the benchmark for other emitters, such as China. **A low European carbon price results in less ambition elsewhere**.

We hope you support the Commission's proposal and the Rapporteur's Report . Please contact us if you have any questions on our note, or the PD Forum's position.

Yours faithfully,

Gareth Phillips

Gareth Phillips
Chairman, Project Developer Forum

PROJECT DEVELOPER FORUM

Note on backloading

Backloading is an important first step to deal with the surplus of carbon allowances in the EU ETS, which has recently been estimated at over 3.1bn.[1] The current plan will delay the auction of 900m EUAs (European Union Allowances), restricting supply and boosting prices. The action will also demonstrate to the market that the EU has the political will and strength to ensure the EU ETS's continuing relevance as a means to reduce emissions.

Permanent cancellation is preferable to ensure that prices do not fall again at the end of phase III[2]. Moreover, the long term best solution would be to increase ambition in the EU, by committing to a 30% reduction on 1990 levels by 2020.

The measure will have positive impact on European jobs and competitiveness. According to most studies, the EU ETS has had minimal negative impact on European jobs in emissions intensive industries (e.g. Abrell et al, 2011[3]) . By contrast, a functioning ETS will boost the low carbon economy - more than 20 million European jobs are already linked to the environment, with 2.8m expected in renewable energy alone by 2020.

Why is a higher carbon price required?

A long term price signal is necessary for industry to decarbonise. The current price of under €5.00 is far too low to offer industry the incentive to invest in clean energy, and will lock-in a high emissions pathway. The International Energy Agency estimates that a price of over $120 per ton is necessary to encourage the low carbon infrastructure required to avoid the worst of climate change.[4]

The price signal in the short-term is discouraging low carbon electricity generation. As has been widely reported firms are increasingly choosing to burn coal rather than gas, due to a combination of low carbon prices and higher gas prices. In some EU countries, the amount of electricity generated from coal is rising at annualised rates of over nearly 50%.[5]

Revenues for national governments will increase with a higher carbon price. According to UK government analysis, a cancellation of 900m allowances would lead to increased revenues to EU governments of €107bn from 2013-2020. The German government alone will receive additional revenue of €19.4bn in phase III.[6]

A low carbon price sends the wrong signal to new emission trading schemes. The EU ETS is the world's flagship emission trading scheme. Other schemes, such as China, who are copying the EU market, and set their carbon price accordingly.

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[1] Sandbag, *Losing the lead- Europe's flagging carbon market,* Aug 2012
[2] Department for Energy and Climate Change, *Impacts of back-loading or permanently retiring EU ETS allowances*, 2012
[3] http://www.pbl.nl/sites/default/files/cms/publicaties/PBL-2012-Evaluation-of-the-European-Commissions-proposal-to-set-aside-emission-allowances-500287001.pdf
[4] Point Carbon, *CO2 price of $120 needed to avoid climate change: IEA,* Nov 2012
[5] The Economist, *Europe's energy policy delivers worst all possible worlds unwelcome renaissance,* Jan 2013
[6] Department for Energy and Climate Change, *Impacts of back-loading or permanently retiring EU ETS allowances*, 2012