



EU ETS reform deal: Strong on ambition, less so on protection

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Today EU negotiators reached a provisional agreement on the reform of the European Emissions Trading System (EU ETS).

BusinessEurope acknowledges that the negotiators have made some steps in the right direction compared to the initial European Commission proposal published in July 2015, but a major concern for EU industry persists, warned BusinessEurope's Director General Markus J. Beyrer today in Brussels:

"Today's provisional agreement delivers on our objective to strengthen the EU ETS as the main policy tool to cost-effectively reduce emissions in Europe through a meaningful carbon price. Unfortunately, the deal does not deliver on securing sufficient free allowances for industries exposed to investment leakage. EU negotiators at COP23 in Bonn this week should therefore redouble efforts to bring to their industry a global level playing field."

BusinessEurope's key views on the deal reached today are:

- The deal does a lot on ambition to reach a more meaningful carbon price, however the necessary protection for industry exposed to investment leakage is not perfect. For example: A conditional 5% shift instead of a 3% was needed, and the Innovation Fund is still mostly funded with free allowances.
- Under this deal, the risk remains real that a cross-sectoral correction factor (CSCF) could unduly remove free allowances from vulnerable carbon leakage sectors.
- Upcoming regulation linked to the Clean Energy Package must be linked with the EU ETS reform deal. New regulation should not further undermine the effectiveness of the EU ETS.
- BusinessEurope and its members stay fully committed to implementing the objectives of the Paris Agreement.

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