
The CMIA believes that the EU ETS is and should remain the EU's primary tool for combating climate change. As such, we strongly advocate that Europe continue its pursuit of more ambitious emissions reduction targets.

In the absence of this, we welcome that the EC in the form of DG CLIMA is looking at expanding action against climate change by pursuing the EU's energy efficiency targets with greater rigour, as outlined in the recently leaked draft proposal and impact assessment.

The most startling aspect of the leak is clearly, and more than likely intended to be, the estimate that indicates a substantial drop in the EUA price, potentially to zero, due to the effect of the energy efficiency measures reducing demand for electricity and hence freeing up EUAs.

The leak may well prompt calls to resurrect the so-called set aside proposal which aimed to offset the effect of the energy efficiency target on the EU ETS by removing EUAs from circulation.

A modified set aside proposal could be a potential solution if it contained a clear reference to cancelling the set aside EUAs and measures to make sure that pre-cancellation, they cannot re-enter the EU ETS.

However under previous versions, the EUAs being held back could be released back into the EU ETS at some future date, effectively setting a lower cap for the remaining period of phase III.

The release of EUAs in this manner would undermine environmentally beneficial investments and punish companies that have made them. If such an eventuality hung over the market, companies would seek to try and avoid any physical investment in emissions reductions in Europe.

This is entirely avoidable.

By redrafting the energy efficiency proposals with a modified set aside proposal that contains measures for cancelling any set aside EUAs and further ensure that pre-cancellation they cannot re-enter the EU ETS, the EU would be taking action that respects the role of the EU ETS as its central policy tool for addressing climate change and would still be able to more aggressively pursue the energy efficiency target, a clear win.

To do otherwise would relegate the EU ETS to a backstop that only came into effect when all other measures had failed.

ENDS

Notes to Editors:

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About the CMIA:

The Carbon Markets & Investors Association (CMIA) is an international trade association representing over 50 companies that finance, invest in, and provide enabling support to activities that reduce emissions. CMIA's membership accounts for an estimated 75 per cent of the global carbon market, valued at USD 120 billion in 2010. Solely representing organizations that provide services to and invest in the environmental sector, membership does not include any entities with compliance obligations under cap-and-trade schemes. This results in a unique advocacy platform with emphasis on the environmental integrity of market mechanisms and climate change policies.