

**GREEN LEGISLATION MUST SERVE TO SUPPORT THE GOALS OF A
FUNCTIONING ENERGY MARKET AND LOWER CARBON APPROACH**

The best way to ensure secure energy supply to Europe's industries and citizens and achieve progress towards a low-carbon mix is to promote a working market and a robust emissions trading mechanism. Any new legislation in the energy-climate sphere must be judged against its ability to facilitate the electricity industry's efforts to deliver on these goals. While some aspects of the EU "green package" proposed today by the European Commission are a step in the right direction, EURELECTRIC calls on the legislators to ensure the texts finally adopted ensure the maximum use of market-compatible mechanisms, especially for incentivising renewable energy sources.

The European electricity industry has consistently supported the development of an integrated European electricity market*. The industry has also clearly stated its intention to move to a low-carbon power-mix by mid-century^.

As regards the Commission's proposals for reviewing the EU Emissions Trading Scheme, EURELECTRIC members welcome the clear visibility to the 2020 horizon and recognise auctioning as the main allocation method. However, it will be crucial to ensure an orderly transition, so the rules must be made clear as soon as possible. Moreover, policymakers at all levels should be aware that the scarcity of allowances created by stricter caps will impact on electricity prices, irrespective of the switch to auctioning. It must also be understood that auctioning would siphon off significant funds from a power industry that will need to invest heavily in new technology in the coming decades. Revenues accruing from the auctions should therefore - at least partly - be channelled into developing low-carbon technologies.

Regarding the flexible mechanisms under the Kyoto Protocol - Joint Implementation (JI) and the Clean Development Mechanism (CDM) - EURELECTRIC urges an end to restrictions on their use in meeting emissions targets.

The purpose of emissions trading is to send a carbon price signal that will encourage take-up of new low-carbon technologies and if the mechanism works correctly it will incentivise the deployment of renewable energy sources (RES). It is vital that current efforts to drive forward the internal energy market are not negated by ring-fencing up to 35% of the EU electricity market via non-market RES-support schemes. EURELECTRIC fully supports the trend towards greater use of RES in power generation and is disappointed to see that the Commission's proposals present a mechanism for cross-border trading in Guarantees of Origin (GOs) only as a limited secondary possibility. We urge policymakers to foster GO trade for RES-production so as to link RES more closely into the electricity market.

As for carbon capture and storage (CCS)°, a promising technology route with potential to ensure long-term continued use of fossil fuels in power generation, EURELECTRIC welcomes the Commission's proposals for an enabling legal framework, and urges the Member States to come up with strategies to facilitate the construction of a number of demonstration facilities. In the long term, emissions-capping and trading via the ETS must serve to provide the incentive for CCS, which will have to become competitive without subsidies.

As the European Parliament and Council commence scrutiny of the Commission proposals, we urge them to take full account of the electricity industry's views in order to foster the development of the internal market as a mechanism for ensuring cost-effective delivery of both secure energy supply and climate-related policy goals.

*^° for more detail see policy papers available at www.eurelectric.org under Documentation
Press Contact: Chris Boothby, tel: +32 2 515 1005; e-mail cboothby@eurelectric.org