



Mrs. Connie Hedegaard
Commissioner for Climate Action
DG Climate Action
European Commission
B-1049 Brussels

4 March 2011

Dear Commissioner,

Thank you very much for your intervention at the meeting of BUSINESSEUROPE's Executive Committee on 3 March. The transition to a low carbon economy is a priority issue for European business, and we are committed to continue our dialogue in the process. I would like to reiterate our five basic concerns in the current discussions on a 2050 roadmap, which I was able to put forward to you during the meeting:

- the need for a bottom-up, sector-by-sector analysis;
- no change in agreed 2020 policy framework, especially sectors in the EU Emission Trading Scheme (ETS);
- focus on untapped efficiency potential, e.g. buildings;
- use international offsets;
- conditionality of all targets on equally strong action from other economies.

Although we understand that the upcoming roadmap will put much needed emphasis on energy efficiency, we are worried that several suggested measures risk having significant implications for the EU ETS sectors in the period through to 2020. I would like to draw your attention to two particular aspects that need to be urgently addressed in this context:

1. Setting aside some 500 to 800 million allowances during the third phase of the ETS would not only disturb an already established framework to which European industry is committed to comply, but could also seriously endanger the competitiveness of European industry. The removal of allowances would deprive European industry of their ability to recuperate the production losses during the crisis years and artificially raise the carbon price. The ETS is *not* primarily conceived as a tool to drive investments but to ensure that an agreed reduction target is met in the most cost efficient manner. A relatively lower and stable carbon price is therefore proof of the system actually achieving its objectives rather than a cause of concern. Moreover, the increased volatility and uncertainty of future carbon prices as a result of public sector market interventions would risk discouraging rather than incentivising low-carbon investment.



2. The draft Communication seems to suggest that emission reductions will have to be achieved domestically, also in the 2020 perspective. As I stressed, the opportunity to use international offsets for compliance purposes is a corner stone of the ETS and is a major tool to prevent carbon leakage and ensure a cost-efficient and significant EU-contribution to mitigating global climate change. Although current mechanisms certainly should be improved, the role of international offsets in meeting future objectives must be acknowledged.

Yours sincerely,

Best regards,

Philippe de Buck