



EUROPEAN PARLIAMENT

2014 - 2019

Committee on Industry, Research and Energy

2014/0011(COD)

20.10.2014

DRAFT OPINION

of the Committee on Industry, Research and Energy

for the Committee on the Environment, Public Health and Food Safety

on the proposal for a decision of the European Parliament and of the Council concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and amending Directive 2003/87/EC (COM(2014)0020 – C7-0016/2014 – 2014/0011(COD))

Rapporteur: Antonio Tajani

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SHORT JUSTIFICATION

It is common knowledge that the current economic climate in Europe is rather challenging, in particular for industry. It is therefore very important that the European Commission avoids a situation where on the one hand it advocates re-industrialisation via the 20% of EU GDP coming from manufacturing industry as a means to pull out of the crisis and on the other hand proposes policies and measures, which could result in just the opposite. European industries need a stable and long term legislative framework that effectively combines EU climate ambition with EU industrial competitiveness.

Against this background the introduction of a Market Stability Reserve (MSR) has to be made by taking into account the competitive situation of the European industry and, in particular, energy intensive sectors in Europe.

It is important to stress that the Rapporteur does not oppose to the instrument of a MSR but, as it stands, it raises uncertainty for the industry on the number of allowances, puts into question the existing ETS as a purely market based mechanism and unnecessarily increases carbon prices, thereby increasing the cost burden for industry. Since the adoption by the Commission of the 2030 framework for Climate and Energy policies in January 2014, the European Parliament in February 2014 has issued a resolution on the Action Plan for a competitive and sustainable steel industry in Europe, calling for no direct or indirect costs resulting from climate policies. The European Council Conclusions of March 2014 has stressed the need to develop measures to prevent carbon leakage. Therefore the proposal of the MSR needs to adapt to those statements of political will.

The Rapporteur therefore requests that there be precise safeguards that would prevent negative impacts on industry. These involve 100% free allocations based on technically and economically achievable benchmarks up to 2030 and a number of allowances reserved to offset any CO₂ pass-through on electricity prices in member states.

It is crucial to have a strong industrial policy next to our climate and energy policies, in order to avoid carbon leakage. This must be understood not only as short-term competitiveness effect, associated with the loss of market shares or jobs. It has also a long-term effect that triggers a change in investment patterns and/or investment relocation towards other jurisdictions.

AMENDMENTS

The Committee on Industry, Research and Energy calls on the Committee on the Environment, Public Health and Food Safety, as the committee responsible, to take into account the following amendments:

Amendment 1

Proposal for a decision
Recital 2

Text proposed by the Commission

(2) The report from the Commission to the European Parliament and the Council on the state of the European carbon market in 2102⁷ identified the need for measures in order to tackle structural supply-demand imbalances. The impact assessment on the 2030 climate and energy policy framework⁸ indicates that this imbalance is expected to continue, and would not be sufficiently addressed by adapting the linear trajectory to a more stringent target within this framework. A change in the linear factor only changes gradually the cap. Accordingly, the surplus would also only gradually decline, such that the market would have to continue to operate for more than a decade with a surplus of around 2 billion allowances or more. In order to address this problem and to make the European Emission Trading System more resilient to imbalances, a market stability reserve should be established. To ensure regulatory certainty as regards auction supply in phase 3 and allow for some lead-time adjusting to the introduction of the design change, the market stability reserve should be established as of phase 4 starting in 2021. In order to preserve a maximum degree of predictability, clear rules should be set for placing allowances into the reserve and releasing them from the reserve. Where the conditions are met, beginning in 2021, allowances corresponding to **12%** of the number of allowances in circulation in year x-2 should be put into the reserve. A corresponding number of allowances should be released from the reserve when the total number of allowances in circulation is lower than **400** million.

⁷ COM(2012)652 *final*.

Amendment

(2) The report from the Commission to the European Parliament and the Council on the state of the European carbon market in 2012⁷ identified the need for measures in order to tackle structural supply-demand imbalances. The impact assessment on the 2030 climate and energy policy framework⁸ indicates that this imbalance is expected to continue, and would not be sufficiently addressed by adapting the linear trajectory to a more stringent target within this framework. A change in the linear factor only changes gradually the cap. Accordingly, the surplus would also only gradually decline, such that the market would have to continue to operate for more than a decade with a surplus of around 2 billion allowances or more. In order to address this problem and to make the European Emission Trading System more resilient to imbalances, a market stability reserve should be established. To ensure regulatory certainty as regards auction supply in phase 3 and allow for some lead-time adjusting to the introduction of the design change, the market stability reserve should be established as of phase 4 starting in 2021. In order to preserve a maximum degree of predictability, clear rules should be set for placing allowances into the reserve and releasing them from the reserve. Where the conditions are met, beginning in 2021, allowances corresponding to **10%** of the number of allowances in circulation in year x-2 should be put into the reserve. A corresponding number of allowances should be released from the reserve when the total number of allowances in circulation is lower than **500** million.

⁷ COM(2012)652.

⁸ Insert reference.

⁸ Insert reference.

Or. en

Amendment 2

Proposal for a decision Recital 3 a (new)

Text proposed by the Commission

Amendment

(3a) In addition to the establishment of the market stability reserve and the consequential amendments to Directive 2003/87/EC, provision should be made to prevent the potential carbon leakage impacts of this decision.

Or. en

Amendment 3

Proposal for a decision Recital 3 b (new)

Text proposed by the Commission

Amendment

(3b) The European Parliament in its resolution on the Action Plan for a competitive and sustainable steel industry in Europe of 4 February 2014 expressed its concern about the impact on industry that could arise from “the application of the cross-sectoral correction factor, which demonstrates that for industry the target is not achievable even with the best available technologies currently applied in Europe, with the result that even the most efficient installations in Europe may have additional costs”; in order to avoid a dilution of the provisions of Article 10a of Directive 2003/87/EC, the application of the uniform cross-sectoral reduction factor should be suspended.

Amendment 4

Proposal for a decision Recital 3 c (new)

Text proposed by the Commission

Amendment

(3c) In its conclusions of 21 March 2014, the European Council stressed that Europe needs a strong and competitive industrial base as a key driver for economic growth and jobs and that industrial competitiveness concerns should be systematically mainstreamed across all Union policy areas; the European Council invited the Council and the Commission to rapidly develop measures to prevent potential carbon leakage and called for long-term planning security for industrial investment in order to ensure the competitiveness of Europe's industries, and more specifically energy-intensive industries; it stressed that a coherent European energy and climate policy must address the issue of high energy costs in particular for energy-intensive industries and ensure affordable energy prices.

Or. en

Amendment 5

Proposal for a decision Recital 3 d (new)

Text proposed by the Commission

Amendment

(3d) Given the costs, relating to greenhouse gas emissions, passed on in electricity prices, the Commission should consider means of compensation other than financial measures, which are not

working well. Among the measures to consider would be the reserving of a sufficient amount of the Community-wide quantity of allowances for the sectors and subsectors deemed to be exposed to a significant risk of carbon leakage.

Or. en

Amendment 6

Proposal for a decision

Recital 5

Text proposed by the Commission

(5) Articles 10 and 13(2) of Directive 2003/87/EC should therefore be amended accordingly,

Amendment

(5) Articles 10, **10a**, and 13(2) of Directive 2003/87/EC should therefore be amended accordingly,

Or. en

Amendment 7

Proposal for a decision

Article 1 – paragraph 2

Text proposed by the Commission

2. The Commission shall publish the total number of allowances in circulation each year, by 15 May of the subsequent year. The total number of allowances in circulation for year x shall be the cumulative number of allowances issued in the period since 1 January 2008, including the number issued pursuant to Article 13(2) of Directive 2003/87/EC in that period and entitlements to use international credits exercised by installations under the EU emission trading system in respect of emissions up to 31 December of year x, minus the cumulative tonnes of verified emissions from installations under the EU emission trading system between 1 January 2008 and 31 December of year x, any

Amendment

2. The Commission shall publish the total number of **net** allowances in circulation each year, by 15 May of the subsequent year. The total number of allowances in circulation for year x shall be the cumulative number of allowances issued in the period since 1 January 2008, including the number issued pursuant to Article 13(2) of Directive 2003/87/EC in that period and entitlements to use international credits exercised by installations under the EU emission trading system in respect of emissions up to 31 December of year x, minus the cumulative tonnes of verified emissions from installations under the EU emission trading system between 1 January 2008 and 31 December of year x, any

allowances cancelled in accordance with Article 12(4) of Directive 2003/87/EC and the number of allowances in the reserve. No account shall be taken of emissions during the three-year period starting in 2005 and ending in 2007 and allowances issued in respect of those emissions. The first publication shall take place by 15 May 2017.

allowances cancelled in accordance with Article 12(4) of Directive 2003/87/EC and the number of allowances in the reserve. No account shall be taken of emissions during the three-year period starting in 2005 and ending in 2007 and allowances issued in respect of those emissions. ***Emissions in the aviation sector and allowances issued in respect of those emissions shall not be taken into account.*** The first publication shall take place by 15 May 2017.

Or. en

Amendment 8

Proposal for a decision Article 1 – paragraph 3

Text proposed by the Commission

3. In each year beginning in 2021, a number of allowances equal to **12%** of the total number of allowances in circulation in year x-2, as published in May year x-1, shall be placed in the reserve, unless this number of allowances to be placed in the reserve would be less than 100 million.

Amendment

3. In each year beginning in 2021, a number of allowances equal to **10%** of the total number of allowances in circulation in year x-2, as published in May year x-1, shall be placed in the reserve, unless this number of allowances to be placed in the reserve would be less than 100 million.

Or. en

Amendment 9

Proposal for a decision Article 1 – paragraph 4

Text proposed by the Commission

4. In any year, if the total number of allowances in circulation is lower than **400** million, 100 million allowances shall be released from the reserve. In case less than 100 million allowances are in the reserve, all allowances in the reserve shall be released under this paragraph.

Amendment

4. In any year, if the total number of **net** allowances in circulation is lower than **500** million, 100 million allowances shall be released from the reserve. In case less than 100 million allowances are in the reserve, all allowances in the reserve shall be released under this paragraph.

Or. en

Amendment 10

Proposal for a decision

Article 2 – paragraph 1 – point 3 a (new)

Directive 2003/87/EC

Article 10 – paragraph 3 - first subparagraph

Present text

3. Member States shall determine the use of revenues generated from the auctioning of allowances. At least 50 % of the revenues generated from the auctioning of allowances referred to in paragraph 2, including all revenues from the auctioning referred to in paragraph 2, points (b) and (c), or the equivalent in financial value of these revenues, *should* be used for one or more of the following:

Amendment

3a. In Article 10(3), the first subparagraph is replaced by the following:

"3. Member States shall determine the use of revenues generated from the auctioning of allowances. At least 50 % of the revenues generated from the auctioning of allowances referred to in paragraph 2, including all revenues from the auctioning referred to in paragraph 2, points (b) and (c), or the equivalent in financial value of these revenues, shall be used for one or more of the following:"

Or. en

Amendment 11

Proposal for a decision

Article 2 – paragraph 1 – point 3 b (new)

Directive 2003/87/EC

Article 10 – paragraph 3 - point -a (new)

Present text

Amendment

3b. In Article 10(3), the following point is inserted:

"(-a): to finance research and development in energy efficiency and clean technologies in the sectors covered by this Directive, in particular in the sectors and sub-sectors referred to in Article 10a(15);"

Or. en

Amendment 12

Proposal for a decision

Article 2 – paragraph 1 – point 3 c (new)

Directive 2003/87/EC

Article 10 – paragraph 3 - point g

Present text

(g) to finance research and development in energy efficiency and clean technologies in the sectors covered by this Directive;

Amendment

deleted

Or. en

Amendment 13

Proposal for a decision

Article 2 – paragraph 1 – point 3 d (new)

Directive 2003/87/EC

Article 10 – paragraph 5

Present text

5. The maximum annual amount of allowances that is the basis for calculating allocations to installations which are not covered by paragraph 3 and are not new entrants shall not exceed the sum of:

(a) the annual Community-wide total quantity, as determined pursuant to Article 9, multiplied by the share of emissions from installations not covered by paragraph 3 in the total average verified emissions, in the period from 2005 to 2007, from installations covered by the Community scheme in the period from 2008 to 2012;

(b) the total average annual verified emissions from installations in the period from 2005 to 2007 which are only included in the Community scheme from 2013 onwards and are not covered by paragraph

Amendment

3d. In Article 10, paragraph 5 is replaced by the following:

5. The maximum annual amount of allowances that is the basis for calculating allocations to installations which are not covered by paragraph 3 and are not new entrants shall not exceed the sum of:

(a) the annual Community-wide total quantity, as determined pursuant to Article 9, multiplied by the share of emissions from installations not covered by paragraph 3 in the total average verified emissions, in the period from 2005 to 2007, from installations covered by the Community scheme in the period from 2008 to 2012;

(b) the total average annual verified emissions from installations in the period from 2005 to 2007 which are only included in the Community scheme from 2013 onwards and are not covered by paragraph

3, adjusted by the linear factor, as referred to in Article 9.

A uniform cross-sectoral correction factor shall be applied if necessary.'

3, adjusted by the linear factor, as referred to in Article 9.";

Or. en

Amendment 14

Proposal for a decision

Article 2 – paragraph 1 – point 3 e (new)

Directive 2003/87/EC

Article 10a – paragraph 12

Present text

'12. Subject to Article 10b, ***in 2013 and in each subsequent year up to 2020***, installations in sectors or subsectors which are exposed to a significant risk of carbon leakage shall be allocated, pursuant to paragraph 1, allowances free of charge at 100% of the quantity determined in accordance with the measures referred to in paragraph 1.'

Amendment

3e. In Article 10a, paragraph 12 is replaced by the following:

"12. Subject to Article 10b, installations in sectors or sub-sectors which are exposed to a significant risk of carbon leakage shall be allocated, pursuant to paragraph 1, allowances free of charge at 100% of the quality determined in accordance with the measures referred to in paragraph 1.";

Or. en

Amendment 15

Proposal for a decision

Article 3 – paragraph 1

Text proposed by the Commission

By ***31 December 2026***, the Commission shall on the basis of an analysis of the orderly functioning of the European carbon market review the market stability reserve and submit a proposal, where appropriate, to the European Parliament and to the Council. The review shall pay particular attention to the percentage figure for the

Amendment

By ***30 June 2025***, the Commission shall on the basis of an analysis of the orderly functioning of the European carbon market review the market stability reserve and submit a proposal, where appropriate, to the European Parliament and to the Council. The review shall pay particular attention to the percentage figure for the

determination of the number of allowances to be placed into the reserve according to Article 1(3) and the numerical value of the threshold for the total number of allowances in circulation set by Article 1(4).

determination of the number of allowances to be placed into the reserve according to Article 1(3) and the numerical value of the threshold for the total number of allowances in circulation set by Article 1(4).

Or. en