



THE PRINCE OF WALES'S
CORPORATE LEADERS GROUP

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Business leaders call on MEPs for timely EU-ETS reform

The European Union Emissions Trading Scheme (EU-ETS) must be reformed to include a Market Stability Reserve (MSR) by 2017 at the latest, to keep the continent on track for developing a low-carbon economy and energy system, European business leaders argued today (Tuesday 13 January 2015).

A Market Stability Reserve would reduce the amount of emissions allowance units (EUAs) that the EU is permitted to auction on the global market, should the upper threshold of EUAs already in circulation be exceeded.

In a letter to Members of the European Parliament The Prince of Wales's Corporate Leaders Group (CLG) – which brings together leading European businesses on climate change – said that introducing the MSR earlier rather than later "will give the necessary signals to investors and industry to effectively transition to a low carbon economy and energy system" and "mitigate any downward pressure on the carbon price from structural economic changes or from other energy policies."

The cross-sector group, which includes names like EDF, Shell, Doosan and Unilever, also said that the 900 million EUAs that policy-makers have agreed to set aside and return to auction in 2019-2020 should be included in the total Reserve from the outset. The CLG argued this would help to rebalance the emissions market and encourage countries to get on with decarbonising their economies, knowing there would be no 'get out jail free' card a few years down the line should they move too slowly to clean up their industries.

The business leaders also agree that the urgent introduction of the MSR must go hand in hand with a commitment to bring forward the Phase IV EU-ETS proposals, including further plans for carbon leakage protection post-2020 and new funding pathways, as this they believe is sound industrial policy.

Philippe Joubert, Chair, The Prince of Wales's Corporate Leaders Group, said:

"The EU-ETS is the cornerstone of EU climate policy, so we have to get it right – it must be reformed to drive forward green growth sooner rather than later.

"Establishing a Market Stability Reserve by 2017, with the 900 million back-loaded emissions allowances included in the Reserve from the outset, will help to rebalance the emissions trading market, enable a more robust carbon price, and stimulate the transition to a low-carbon economy."

ENDS



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Notes to editor

1. For a copy of the letter to MEPs from the CLG, contact Marie Reynolds, +44 (0)7849 785635, +44 (0)1223 768851, marie.reynolds@cisl.cam.ac.uk.
2. The European Union Emissions Trading System Market Stability Reserve (EU ETS MSR) is a proposed amendment to the European Union Emission Trading Scheme (EU ETS), put forward by the European Commission. It reduces the amount of EU Allowance units (EUAs) that can be auctioned if the upper threshold of EUAs in circulation is exceeded, and releases them if there is a shortfall.
3. On 3 July 2013 the European Parliament adopted a proposal aimed at tackling the oversupply of EUAs in the EU-ETS by postponing the auctioning of 900 million allowances (ETS 'backloading').
4. 'Carbon leakage' refers to businesses moving production to other countries with laxer constraints on greenhouse gas emissions, because Europe has become too expensive. If this happens companies may seek compensation. It can increase total greenhouse gas emissions.
5. Last month the CLG welcomed a statement by the Green Growth Platform of European environment Ministers urging EU institutions to work together to strengthen the EU-ETS, and called for an integrated industrial, energy, climate and internal market policy framework to achieve at least a 40% cut in EU greenhouse gas emissions by 2030.
6. The Prince of Wales's Corporate Leaders Group (CLG) is a group of European business leaders working together with the University of Cambridge Institute for Sustainability Leadership (CISL) on climate change solutions with global policy makers and business. See <http://www.cisl.cam.ac.uk/clg>.
7. The University of Cambridge Institute for Sustainability Leadership (CISL) brings together business, government and academia to find solutions to critical sustainability challenges, deepening leaders' insight and creating opportunities for collaborative action through business platforms such as the CLG. See <http://www.cisl.cam.ac.uk/>.