

Brussels, 28 November 2004

Emissions trading: Companies want longer-term certainty and predictability

The European Commission has released first highlights of a recent stakeholder consultation on the EU emissions trading scheme, which attracted over 300 responses. One of the main findings is that companies across sectors demand longer-term certainty and predictability about the scheme and in particular the allocation of emission allowances. The more certainty and lead-time they have, the easier it will be for them to invest in the right technologies for the future. The results of the consultation are feeding into an ongoing review of the emissions trading scheme. The scheme aims to cost-effectively reduce greenhouse gas emissions from industrial and power plants.

Environment Commissioner Stavros Dimas said: "Let me express my thanks to all the stakeholders that have participated so actively in the consultation. The fact that the emissions trading scheme is up and running is a tremendous success, but we are already looking at how to improve it. For that we need the co-operation of the stakeholders who have hands-on experience. The better the design of our scheme, the easier it will be for other countries to adopt similar policies."

Impact on corporate behaviour

The results show that the scheme is already influencing companies' investment decisions. For half of the companies that responded, the scheme is one of the key issues when taking long-term decisions. Moreover, about half of the companies claim that the scheme has a strong or medium impact on decisions to develop innovative technology.

Long-term design topics important but no clear-cut recommendations

Companies, industry associations, governments and NGOs all rank long-term topics as the most important. These are for example emission reduction targets, allocation rules and rules for new entrants in the market and for installations that close. Longer-term certainty on these issues would ensure a better investment climate for companies.

However, on a number of issues views of stakeholders differ considerably and, therefore, the survey does not point to a single clear-cut recommendation, e.g on allocation methods. It therefore appears from the survey that there is a range of advantages and disadvantages to be considered. One thing stakeholders unanimously do agree about is that any decisions about changes should be taken with enough lead-time and not on an ad-hoc basis.

The survey

In order to collect the views of stakeholders on a range of aspects of the EU emissions trading scheme, a web survey was available on the internet from June to September 2005. Invitations to participate in the survey were sent out to 517 companies, government bodies, industry associations, market intermediaries and NGOs (Non-Governmental Organisations). 302 responses were received, so the response rate was around 60%.

Background:

The legal basis is Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC (OJ L 275, 25.10.2003, p. 32).

Article 30(2) of the Directive foresees that the Commission reviews the application of the EU emissions trading scheme and reports to the European Parliament and to the Council by 30 June 2006. The European Commission's DG Environment has commissioned McKinsey & Company and Ecofys to monitor and review the emissions trading scheme during 2005 and 2006. The purpose of the review is to provide a fact base in order

- to analyse the functioning and design of the system with respect to a number of specific issues,
- to evaluate the impact of expanding the EU ETS to other sectors and gases, and
- to understand the actual impact of the EU ETS on competitiveness.

McKinsey & Company and Ecofys carried out a survey between June and September 2005. A report with the full results is in preparation and will be released in due time.

A paper with the highlights of the survey is available at:
<http://europa.eu.int/comm/environment/climat/emission.htm>