

## **The future of Emissions Trading after 2012 in Europe and in a global context**

The European coal industry has approached the European Commission in order to have a comprehensive exchange on how to prolong the European Emissions Trading Scheme (ETS) after the year 2012. EURACOAL -the European Association for Coal and Lignite- wrote to the Commissioners for Energy, the Environment and Industry, referring to the EU's pioneer role when introducing and testing this new instrument for climate protection. Major proposals to optimize the model can be made on the basis of the experience gained from the first trading periods, that are beneficial both for the European energy and climate policies between 2013 and 2020 and also for a stronger internationalisation of climate protection. According to the European coal industry, Emissions Trading could be included in the so-called post-Kyoto-Phase as a fundamental international instrument for climate protection, thereby finding wide-ranging application.

To this end, the participating EU Member States and also third countries should be able to integrate their respective energy, climate and structural policy objectives in the Trading Scheme. The coal industry supports country-specific CO<sub>2</sub> budgets on the basis of the experience gained so far. With 1990 as base year, the EU Member States' reduction objectives for 2020 in the context of an EU agreement must be shaped in such a way that the adopted EU guideline of – 20 % greenhouse gas emissions be reached as a whole.

The EU Directive on Emissions Trading, to be finalised, encourages the introduction of differentiated fuel-specific benchmarks, with clear incentives for efficient installations. Free allocation should follow for each sector on the basis of average emissions. This goes together with a stronger impulse to invest and the full use of the most efficient installations. Operating older, less efficient installations would become more expensive. The liquidity of the markets would be maintained. It would be easier in particular for new electricity producers to enter the market. In order to balance the CO<sub>2</sub> budget with demand, compliance factors could be foreseen in the system. The partial auctioning of certificates would also be possible, but would however reduce the incentive to invest.

The outcome would be on the one hand, maintaining the broad European energy mix with high security of prices and supply and on the other hand, a market-driven reduction of CO<sub>2</sub> intensity while taking into account the respective individual potential of Member States and enterprises. Furthermore, the internationalization of Emissions Trading would do away with competition distortions burdening the EU.

A benchmark system as first step towards CO<sub>2</sub> management can be well accepted precisely in emerging regions not belonging to the EU because in this context, priority is on improved efficiency. Potential for growth can remain open by appropriately defining caps on the timeline. This approach could result in objectives of different economic areas, today perceived as contradictory, being brought together in the medium term.

A European CO<sub>2</sub> policy, with a pragmatic and targeted Emissions Trading Scheme, can thereby develop as a role model and achieve international acceptance. This would serve climate protection more than isolated actions, limited to the EU.