

Members of European Parliament

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Nordic associations of power industries urge EP to opt for permanent cancellation of allowances

The associations of the power industries in Sweden, Denmark and Norway would like to draw Members of the European Parliament's attention to one crucial issue in the ongoing trilogue discussions on the revised directive on the EU Emissions Trading Scheme (ETS).

The EU Emissions Trading Scheme (ETS) is an extremely important tool to reduce emissions in a cost-effective and flexible way. While the Commission proposal for a revised ETS-directive was welcome, there was scope for further strengthening of the system in order to restore confidence and live up to the Paris commitments. In its reading of the Commission proposal, the European Parliament has proposed many useful amendments to that effect. The Nordic power associations voiced our strong support for the Parliament's final ETS-report and we would like to take this opportunity to reiterate our support for its proposal to double the intake rate of the Market Stability Reserve to 24% from 2019.

However, on one important aspect we deem the Council's general approach to be more ambitious. This concerns the Council's proposal to permanently cancel allowances, where we would like to convey our **support to the Council's proposal for Article 1 - paragraph 5 - subparagraph 2 (amendment 139)**:

"5a. Unless otherwise decided in the first review in accordance with Article 3, as from 2024, allowances held in the reserve above the total number of allowances auctioned during the previous year shall no longer be valid."

The oversupply of emission allowances is estimated at several billion allowances. This imbalance in demand and supply has led to a very weak price signal in the system. Several member states have already adopted and/or are planning complementary national measures in order to strengthen the price signal in the ETS-sectors. Unfortunately, this will further fragment the internal market and water down the effectiveness of the EU ETS.

In the light of the US decision to withdraw from the Paris agreement, it is now even more important to convey a message of progressive leaders' decisiveness to combat climate change. Opting for a more ambitious alternative on such a critical ETS component as the cancellation of allowances, would indeed send such a strong signal.

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