

Green Growth Group Statement: EU ETS Phase IV

9 July 2015

1. **We welcome the increasing engagement of companies** calling for robust climate policies around the world including sustained and ultimately interlinked carbon pricing regimes to support the cost-effective global low-carbon transition necessary to combat climate change and deliver competitive low-carbon growth. Reducing emissions at the necessary rate to meet the below two degree goal is a challenge, but one which presents significant opportunities for job creation and green growth.
2. We agree that to reduce business uncertainty, and stimulate investments in safe and sustainable low-carbon technologies and resources at the right pace, **governments need to set early, clear, stable, long-term and ambitious low-carbon policy frameworks.**
3. **We look forward to engaging with businesses and other interested parties, to work towards this end both in Europe and internationally.**
4. **With this in mind, it is essential that the EU builds on past experiences and organises its carbon pricing regime appropriately.** The EU Emissions Trading System (ETS), the cornerstone of the EU's low-carbon strategy, must provide the long-term, stable and effective low-carbon framework and strengthened price signal required by businesses and investors to drive the cost-effective low-carbon transition that Europe needs.
5. We welcome the recent trilogue agreement on the Market Stability Reserve (MSR) and finalising it is an essential first step towards effective reform. Therefore, it is necessary to ensure this ambition is maintained through further reform post-2020. **The EU now needs to set the ETS on firm foundations for the long-term.**
6. **We therefore call on the Commission to bring forward a robust and comprehensive ETS Phase IV package as soon as possible,** while promoting growth, jobs, and the European Union's industrial competitiveness. This will provide the clarity businesses and investors need, demonstrate to our international partners the EU's commitment to implementing its 2030 GHG target and help accelerate efforts towards effective international climate action, including carbon pricing arrangements. The proposals should include:
 - **A system of focused support for those industrial sectors at greatest and genuine risk of carbon leakage,** for example, through a tiered approach to the provision of free allowances and improved alignment to changing production levels, whilst minimising administrative burdens and maintaining incentives for industrial emissions reductions. Harmonised arrangements to compensate for indirect EU ETS costs incurred by the most electro-intensive industries should also be considered.
 - **Assistance to lower-income Central and Eastern European Member States with the transition to a safe and sustainable low-carbon economy** through the

new Modernisation Fund including a strong role for the European Investment Bank, and through a revised Article 10c, all in line with the EU's 2030 and longer-term climate and energy goals;

- **Support for innovation in breakthrough low-carbon technologies** through a new NER400, such as Carbon Capture and Storage (CCS), industrial innovation and efficiency and innovative renewables;
 - **A reduction in administrative burdens**, especially for small ETS operators, whilst maintaining the overall environmental integrity of the EU ETS.
7. Further, given the linkages between the EU ETS Phase IV and the Effort-Sharing Decision (ESD), and to enable an early agreement on the legislative implementation of the overall 2030 climate and energy package, **it is important that the Commission brings forward its ESD proposals early after the Paris COP and by the end of the first quarter of 2016 at the latest.**
 8. Within the broader framework of the Energy Union, a stable, robust and effective EU ETS Phase IV framework will **help to unlock the necessary investments in energy technologies and priority infrastructure, including for interconnections.**
 9. **We look forward to engaging constructively with all Member States, MEPs, businesses, investors and civil society on these issues over the coming months.**

Supported by the following Ministers:

Wilma Mansveld, Minister for the Environment NETHERLANDS

Isabel García Tejerina, Minister of Agriculture, Food and the Environment SPAIN

Barbara Hendricks, Federal Environment Minister GERMANY

Mr Marko Pomerants, Minister of the Environment ESTONIA

Jorge Moreira da Silva, Minister of Environment, Spatial Planning and Energy PORTUGAL

Ms Irena Majcen, Minister of the Environment & Spatial Planning SLOVENIA

Ms Tine Sundtoft, Minister for Climate and Environment NORWAY

Gian Luca Galletti, Minister of the Environment, Land and Sea ITALY

Rt Hon Amber Rudd MP, Secretary of State for Energy and Climate Change UNITED KINGDOM