



- Consultation response -

Europex response to the Commission consultation on the revision of the EU ETS state aid guidelines

Brussels, 16 May 2019 | The EU ETS plays a vital role as the EU's primary instrument for reducing greenhouse gas emissions cost-effectively while incentivising innovation and change. Importantly, well-functioning emissions markets, as part of a clear and stable climate policy framework, provide long-term predictability for companies. Keeping to such a clear framework will not only minimise the risk of carbon leakage but create additional investments and opportunities in Europe.

Hence, while they may be considered necessary to tackle the risk of carbon leakage as a consequence of the transnational EU ETS, national measures to compensate sectors at particular risk clearly have the potential to fundamentally distort competition in the internal market. EU state aid control in this area therefore plays an important role in ensuring that national compensation measures are well-targeted, well-designed and that restrictive and harmonised approaches are applied across the EU.

As one key example of this principle, and with a view to minimising distortions of competition created by national state aid measures in relation to electricity prices, the revised guidelines should robustly guarantee that compensation for the indirect costs of EUAs is limited to the necessary minimum. For this, the following key guideline elements must be retained:

- **Partial compensation of indirect costs:** maintaining of partial compensation “only” of indirect costs will incentivise efforts for further emissions reductions and innovation.
- **Degressive aid intensity:** the percentage of indirect costs which is compensated should be reduced over the course of the trading period, with a view to fully phasing the aid out over time.
- **Eligible sectors should be well-defined and limited in scope:** whichever approach is used to establish the list of eligible sectors, state aid should be limited to sectors for which it is demonstrated there is genuine and significant risk of carbon leakage. Economic factors such as exposure to international commercial activity and their level of exposure to indirect ETS costs should be taken into account among other aspects.

As a general principle, both indirect compensation measures as well as direct compensation (e.g. through the free allocation of allowances) should be temporary and phased out over time, incentivising the internalisation of the environmental externality and the shift to cleaner, more efficient technologies.

About

Europex is a not-for-profit association of European energy exchanges with 26 members. It represents the interests of exchange-based wholesale electricity, gas and environmental markets, focuses on developments of the European regulatory framework for wholesale energy trading and provides a discussion platform at European level.

Contact

Europex – Association of European Energy Exchanges

Address: Rue Archimède 44, 1000 Brussels, Belgium

Phone: +32 2 512 34 10

Website: www.europex.org

Email: secretariat@europex.org

Twitter: Europex_energy