

## The ETUC response to the EC consultation on structural options to strengthen the EU Emissions Trading System

1. The ETUC sees the debate on structural reforms of the ETS within the broader context of a Just Transition towards an energy- and resource-efficient economy that would combine the greening of the whole economy with a strong commitment to employment and quality jobs in Europe. The ETUC calls for the adoption of a “Just Transition Roadmap for 2050” and will continue to further develop its views on how to put Just Transition into practice, in the light of UNFCCC discussions following the Cancun Agreement and Durban Platform: <http://www.etuc.org/r/660>
2. Regarding the EU Climate Policy Framework, the ETUC is in favour of a broad set of instruments and targets, including intermediate milestones, which would adequately cover all activities and sectors that contribute to GHG emissions. A holistic approach, combining sectorial pathways with intermediate objectives, is essential to meet the objectives of reducing EU GHG emissions by 80-95% in 2050. The reduction of GHG emissions should be complemented by heavy investment and binding targets on energy efficiency. With this in mind, the ETUC General Secretary co-signed a letter, along with the EEB (European Environmental Bureau), to ask the President of the European Commission to put energy savings and energy efficiency at the core of the EU strategy for its post-2020 climate policy.
3. It is worth recalling that the ETUC has consistently raised concerns about fluctuations in the carbon market (see the ETUC Resolution adopted in 2009: <http://www.etuc.org/a/6594> ). The risk of seeing it besieged by the financial system as is the case with food products and raw materials is real. In no instance can it be seen as a reliable and effective allocation mechanism. The stakes are too high and the interconnections too complex to enable a regulation in that area to provide results merely from a price signal.
4. Despite this fundamental concern about the ability of market mechanisms to drive the transition, the ETUC recognises that the ETS is currently the cornerstone of the EU Climate Policy Framework. It is therefore essential that political decisions are adopted that will enable it to work properly. Together with the impact of austerity measures, the low price for CO<sub>2</sub> will delay and complicate the investment needed to support industrial transformation, promote the modernisation of infrastructure, and, consequently, bring about the transition to a low-carbon economy. Given its importance to society as a whole, climate policy should not be left to market forces alone and public authorities should act to make this policy tool consistent with the ambition that is required to meet the 2050 GHG emissions targets. Therefore, the ETUC Executive Committee adopted a Resolution saying that EU intervention is urgently needed to ensure a strong carbon price signal (e.g. using set-aside mechanisms). <http://www.etuc.org/a/10041>

5. The risk of carbon leakage should be taken into account in the reform of the Climate Policy Framework, whether through border adjustment measures as a last resort, or via adequate responses to unfair trade practices. However, even though competitiveness is a legitimate concern, it should not be used as a means to impede social and environmental progress.
6. Regarding the use of revenue generated by the auctioning of ETS allowances, the ETUC asks the Commission to take the initiative to guarantee the following :
  - a. Ensure that the EU contributes to compliance with the commitment made by developed countries in Copenhagen to mobilise, 100 USD billion by 2020 to help developing countries in the struggle against climate change;
  - b. Ensure that significant amounts are dedicated to support the deployment of low-carbon technologies for energy-intensive industries in Europe. (The High-Level Roundtable on the future of the European Steel Industry invited the Commission to consider establishing such a mechanism.) We see this kind of support of innovation as an interesting path to develop synergies between the climate policies and the re-industrialisation agenda that the Commission is promoting.
  - c. Ensure that significant amounts will be devoted to develop a social dimension to the EU Climate Policy Framework. The de-carbonisation of the EU economy will provide opportunities for new economic activities and jobs in the EU but it will have negative effects, at least temporarily, for some sectors and regions highly dependent on carbon intensive activities. Revenues generated by the auctioning of ETS allowances could help to develop, in association with social partners, a massive initiative to retrain and support workers in sectors or regions negatively affected by EU climate policies.