



Open letter to Members of the Committee on Environment, Public Health and Food Safety of the European Parliament on the revision of the EU ETS

November 2016

Dear Members of the European Parliament’s Committee on Environment, Public Health and Food Safety,

We, the undersigned, 31 organisations and networks working on a coal free Europe call on you to vote for a meaningful revision of the EU’s Emission Trading System (EU ETS) that supports the rapid decarbonisation of Europe’s energy systems and transition away from coal in line with the Paris agreement and the leadership role EU is aspiring to play in global climate policy.

The EU ETS can accelerate this transition through a meaningful carbon price and its funding mechanisms. The ENVI vote is a key opportunity to support the ETS that builds a fair, inclusive and just transition from coal towards a low-carbon economy. We urge you to adopt amendments that:

- 1. Deliver a meaningful carbon price to phase out fossil fuels.** The current carbon price of around EUR 6 is much too low to promote investments in clean, carbon-free technologies. On the contrary, proposed ETS rules will continue to support coal infrastructure. The ETS cap must therefore be tightened (e.g. by adopting a higher linear reduction factor, re-basing the starting point and cancelling surplus) to deliver a carbon price which would catalyse swift transition away from coal towards renewables.
- 2. Guarantee that EU ETS funding mechanisms for lower-income Member States to transform their energy systems are well-designed to support and not hinder the decarbonization in these countries.** Accordingly, the EU ETS must:

Reroute funding under Article 10c of the EU ETS Directive to the Modernisation Fund

Article 10c has been largely misused to subsidise existing and new coal power plants in Central and Eastern Europe. Continuing free allocation could distort the internal energy market and endanger the climate friendly transition in the region. **The Article 10c derogation should not be expanded beyond 2020.** Instead, it **should be folded into the Modernization Fund**, which can deliver more investment in the region. By combining resources, Member States can avoid the administrative burden and complexity of implementing two programmes with overlapping objectives and benefit from less fragmentation and more effective use of public resources.

Provide strong investment criteria that exclude coal

New or existing coal generation (incl. coal-powered CHP) must be **ineligible** for funding under the Modernisation Fund. Strict Emission Performance Standard criteria for projects eligible for funding must be adopted, to shift investments to sustainable renewable energy, energy saving technologies and upgrade of electricity grid infrastructure. Investments under the Fund must be additional and more ambitious, e.g. to those needed to comply with Best Available Techniques (BAT) standards.

Provide strong governance of the Modernisation Fund that includes non-beneficiary Member States.

Resources for the Modernisation Fund come from a collective funding basis that represents European resources. Therefore, the **investment board must include an equal number of non-beneficiary and beneficiary Member States**, to ensure credibility of supported investments.

3. Support the establishment of the Just Transition Fund

Some communities and regions will need support to transition away from coal. It is therefore essential to uphold the position of Committee on Industry, Research and Energy (ITRE) and **support a Just Transition Fund**, to ensure that no one is left behind in the transition to a safe, clean and mutually prosperous Europe and world.

We hope that you will be able to support these points in the upcoming ENVI vote on the EU ETS revision on 8 December.

List of organisations:

Networks:

Bond Beter Leefmilieu, representing over 125 organisations in Flanders, Belgium
European Environmental Bureau (EEB), representing over 150 member organisations in more than 30 countries
Climate Action Network (CAN) Europe, representing 130 organizations in more than 30 European countries
CNCD-11.11.11, representing 90 NGOs, trade unions and associations
Polish Green Network, representing 10 Polish organizations
Transport and Environment, representing 50 organisations across Europe
Health and Environment Alliance (HEAL), representing 75 member organisations across Europe

Organisations:

Association 2Celsius, Romania
Both ENDS, Netherlands
Bund für Umwelt und Naturschutz (BUND)
Landesverband Sachsen e.V., Germany
Carbon Market Watch, Belgium
Center for Environment, Bosnia and Herzegovina

Concerned Citizens against Climate Change, Netherlands
Eco Dobrogea, Romania
Ekotim - Society for protection and advancement of nature environment and health, Bosnia and Herzegovina
Frank Bold Society, EU
Foundation "Development YES – Open-Pit Mines NO", Poland
Germanwatch, Germany
Green Budget Germany - Forum Ökologisch-Soziale Marktwirtschaft, Germany
Iceland Nature Conservation Association, Iceland
MANS, Montenegro
Mouvement Ecologique, Luxembourg
NGO Green Home, Montenegro
Polski Klub Ekologiczny Okręg Mazowiecki, Poland
SEE Change Net, Western Balkans
Society for the Earth, Poland
Stowarzyszenie Ekologiczne EKO-UNIA, Poland
Towarzystwo dla Natury i Człowieka, Poland
ZERO – Association for the Sustainability of the Earth System, Portugal
WWF European Policy Office, Belgium
WWF Hungary, Hungary
WWF Greece, Greece
Za Zemiata, Bulgaria