



## Open letter to Members of the Committee on Industry, Research and Energy of the European Parliament on the revision of the EU ETS

October 2016

Dear Members of the European Parliament's Committee on Industry, Research and Energy,

**We, the undersigned, 4 networks and 22 organizations representing almost 50 million citizens across Europe, call on you to vote for an ambitious revision of the EU's Emission Trading System (EU ETS) that supports a rapid phase out of fossil fuels, in particular coal.**

The article 10c of the EU ETS Directive was designed to help countries most in need of transition help modernize and diversify their energy sources of supply. However instead the EU has approved a clear majority of the up to €12 billion through Article 10c for modernization and expansion of fossil fuel capacity in Central and Eastern Europe (CEE), including hard coal and lignite.<sup>1</sup>

As the EU has committed to phase out fossil fuel subsidies by 2020<sup>2</sup> and to achieve 80-95% emission cuts by 2050, the ETS cannot continue to subsidize unsustainable energy systems that will lock countries in coal dependency.

Instead the Modernization Fund and Article 10c should be used to shift investments in the region to energy efficiency and sustainable renewable energy sources.

The revision of the EU ETS provides a great opportunity to put a halt to coal subsidies. Consequently, we, the undersigned organisations, call on you to adopt amendments that:

1. **Deliver a meaningful carbon price to phase out coal.** The current carbon price of below €5 is not high enough to incentivise the transition and promote investments in clean, low-carbon technologies. Instead it is sustaining long-lived coal infrastructure. The ETS cap must therefore be tightened to deliver a more meaningful carbon price which would phase out coal generation across Europe. Ultimately, power producers in all EU Member States should buy 100% of their allowances at auction.
2. **Exclude investments in both new and existing coal energy from Art 10c and the Modernisation Fund:** Continuation of finance flows for coal capacity will not only increase dependence on coal power generation in CEE, but also have detrimental impacts on public health and the environment. The EU ETS revision offers a unique opportunity to end coal subsidies and use the Modernisation fund and Article 10c as tools that reduce energy poverty, and lower the import dependency of the beneficiary countries. These two mechanisms should be used for investments into sustainable renewable energy and energy saving technologies, while eliminating coal. Such investments will help decarbonise the economy, while maintaining the potential to create jobs in the construction sector and lead

<sup>1</sup> <http://carbonmarketwatch.org/policy-brief-fossil-fuel-subsidies-from-europes-carbon-market/>

<sup>2</sup> Decision 1386/2013/EU of the European Parliament and of the Council of 20 November 2013 on a General Union Environment Action Programme to 2020.

to significant health benefits. Expanding the provisions of Article 10c to make more countries (e.g. Greece) eligible for free pollution permits is not acceptable.

- 3. Exclude investments in coal powered district heating and co-generation from Art. 10c and the Modernisation Fund:** Under the current EU ETS directive, Article 10a(4)) already allows free allocation for district heating and high efficiency cogeneration. In fact, between 2013 and 2020, coal power plants have been allocated 179Mt of free permits for heat, with a value of minimum €1 billion. Allowing coal investments to district heating and co-generation under Modernization fund and Art 10c would multiply the free allocation for heating already available and could be used as a loophole to prolong the lifetime of combined heat and power (CHP) coal plants and increase money for burning coal.

We hope that you will be able to support these points in the upcoming ITRE vote on the EU ETS revision on 13 October.

Yours Sincerely,

**Networks:**

CAN Europe, representing 130 organizations in more than 30 European countries

CEE Bankwatch, representing 16 groups in 14 countries

European Environment Bureau, federation of 150 environmental citizens' organisations in more than 30 European countries

Koalicja Klimatyczna, representing 22 Polish organizations

**Organisations:**

Eco Dobrogea, Romania

Analytica think tank, Macedonia

Carbon Market Watch, Austria

Concerned Citizens against Climate Change, Netherlands

ClientEarth Poland, Poland

Ekotim Association for protection and advancement nature, environment and health, Bosnia and Herzegovina

Pracownia na rzecz Wszystkich Istot, Poland

EDEN center, Albania

WWF, Europe

Stowarzyszenie Ekologiczne EKO-UNIA, Poland

Both ENDS, Netherlands

NVO MANS, Montenegro

Foundation Development YES - Open-Pit Mines NO, Poland

NGO Green Home, Montenegro

Focus Association for Sustainable Development, Slovenia

E3G, Europe

CNCD-11.11.11, Belgium

Sandbag, UK

EKOenergy, Finland

Urgewald, Germany

Za Zemiata, Bulgaria

SEE Change Net, Bosnia and Herzegovina