



The position of the Forthcoming Presidency

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Direction de la prévention des pollutions et des risques

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French Presidency goals

- Climate change energy package helps EU to have the lead in global climate change negotiations
- Need for the package to be adopted before the next election of the Parlement,



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French Presidency goals

- 1) Absolute target to reach agreement between Council and Parlement before the end of 2008 , and finalizing the adoption of the directive early 2009
- 2) Adoption of the climate energy package and of the ETS directive is a **first priority** of the french presidency: As well, reaching a consensus and understand the concerns of different member states is a major task





POSITION ON THE ETS PROPOSAL

- Support the core elements of the proposal
- We appreciate the high level of harmonization with EU cap,
- And admit that no allowance will be allocated any more at member state level
- We appreciate that auctioning is the major way of allocation



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POSITION ON THE ETS PROPOSAL

- Support the enlargement of the scope to big emitters
- Support the opt out for small installations (preference for higher threshold)
- Appreciate the harmonization of reporting and vérification



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POSITION ON THE ETS PROPOSAL

- The global cap (**-21% from 2005 emissions**) is very demanding in particular for member states with high GDP growth
- 100% auctioning from 2013 in power sector may bring concern for some member states



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POSITION ON THE ETS PROPOSAL

- For France, provisions must be adapted to each specific economy of EU,
- Solidarity within Eu is of great importance (auctionning rights)



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MAIN ISSUE

- Preventing carbon leakage is a core target
- If main world economies don't involve in an important effort ...



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MAIN ISSUE

- ... The EU carbon constraint incitates industries to relocate in other countries
- The emissions wont be cut and the employs will disappear.



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MAIN ISSUE

- Proposal tables on a report in 2011 with some recommendations
- But there is a Need for a compensation mechanism already in 2013 in the text of the directive
- Free allowances do not address the whole problem of carbon leakage



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MAIN ISSUE

- **How does compensation mechanism works ?**
- The importers have to surrender the allowances corresponding to the average Co₂ emissions per ton of products in EU 27 (i.e 0,8 t of CO₂ per ton of clinker)
- The exporter has to receive allowances in the same proportion



MAIN ISSUE

- **Main advantages of a boundary compensation mechanism :**
- Makes it possible to keep a big share of auctioning ,
- Free allowances with a stringent global cap (minus 21% from 2005 emissions) do not prevent form carbon leakage
- The compensation mechanism provides protection of energy intensive sectors while keeping stringent cap, high carbon price and big share of auctioning
- The risk of failure in trial under WTO is weak if EU prepares it well



• Conclusion

- ETS directive is line with the necessary effort for reducing emissions and getting a good market price
- But represent a big challenge, in particular for some member states
- Need for a compensation mechanism in order to adress carbon leakage
- Need to adress particular problems of each member states



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Thank you



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