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Plenary sitting

A7-0046/2013

25.2.2013

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REPORT

on the proposal for a decision of the European Parliament and of the Council amending Directive 2003/87/EC clarifying provisions on the timing of auctions of greenhouse gas allowances
(COM(2012)0416 – C7-0203/2012 – 2012/0202(COD))

Committee on the Environment, Public Health and Food Safety

Rapporteur: Matthias Groote

Symbols for procedures

*	Consultation procedure
***	Consent procedure
***I	Ordinary legislative procedure (first reading)
***II	Ordinary legislative procedure (second reading)
***III	Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

Amendments to a draft act

In amendments by Parliament, amendments to draft acts are highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the draft act which may require correction when the final text is prepared – for instance, obvious errors or omissions in a language version. Suggested corrections of this kind are subject to the agreement of the departments concerned.

The heading for any amendment to an existing act that the draft act seeks to amend includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend. Passages in an existing act that Parliament wishes to amend, but that the draft act has left unchanged, are highlighted in **bold**. Any deletions that Parliament wishes to make in such passages are indicated thus: **[...]**.

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a decision of the European Parliament and of the Council amending Directive 2003/87/EC clarifying provisions on the timing of auctions of greenhouse gas allowances
(COM(2012)0416 – C7-0203/2012 – 2012/0202(COD))

(Ordinary legislative procedure: first reading)

The European Parliament,

– having regard to the Commission proposal to Parliament and the Council (COM(2012)0416),

– having regard to Article 294(2) and Article 192(1) of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C7-0203/2012),

– having regard to Article 294(3) of the Treaty on the Functioning of the European Union,

– having regard to the opinion of the European Economic and Social Committee of 14 November 2012[1],

– after consulting the Committee of the Regions,

– having regard to its resolution of 15 March 2012 on a Roadmap for moving to a competitive low carbon economy in 2050[2],

– having regard to Rule 55 of its Rules of Procedure,

– having regard to the report of the Committee on the Environment, Public Health and Food Safety and the opinion of the Committee on Industry, Research and Energy (A7-0046/2013),

1. Adopts its position at first reading hereinafter set out;

2. Calls on the Commission to refer the matter to Parliament again if it intends to amend its proposal substantially or replace it with another text;

3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

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[1] OJ C , , p. .
[2] Texts adopted, P7_TA(2012)0086.

Amendment 1

Proposal for a decision
Recital 1 a (new)

Text proposed by the Commission	*Amendment*
	(1a) In its resolution of 15 March 2012 on a Roadmap for moving to a competitive low carbon economy in 2050 (2011/2095(INI))[1] the European Parliament called on the Commission to adopt measures to correct the failings of the European Union Emissions Trading System (EU ETS) in order for it to function as originally envisaged and, before the start of the third trading period, to amend, if appropriate, the regulation adopted pursuant to Article 10(4) of Directive 2003/87/EC in order to implement appropriate measures which may include withholding the necessary amount of allowances.

[1] Texts adopted, P7_TA(2012)0086.

Amendment 2

Proposal for a decision
Recital 1 b (new)

Text proposed by the Commission	*Amendment*
	(1b) By the end of 2011, a surplus of 955 million allowances had accumulated. That surplus is set to grow if no structural measures concerning the EU ETS are undertaken.

Amendment 3

Proposal for a decision
Recital 1 c (new)

Text proposed by the Commission	*Amendment*
	(1c) Such a significant surplus of allowances is leading to a lower carbon price, compared to that originally envisaged, reducing incentives to invest in low carbon technologies and increasing the risk of locking the Union into carbon-intensive infrastructures.

Amendment 4

Proposal for a decision
Recital 2

Text proposed by the Commission	*Amendment*
(2) For the purposes of legal certainty and market predictability, it should be clarified that, in order to ensure an orderly functioning of the market, the Commission is able in exceptional circumstances to adapt the auction timetable pursuant to Article 10(4) of Directive 2003/87/EC.	(2) For the purposes of legal certainty and market predictability, it should be clarified that, in order to ensure an orderly functioning of the market, the Commission is able in exceptional circumstances to adapt the auction timetable pursuant to Article 10(4) of Directive 2003/87/EC ***provided that such intervention can be justified by an impact assessment showing that impact on sectors exposed to a significant risk of carbon leakage is limited***. ***The Commission should be able to make no more than one such adaptation and only during the eight-year period beginning on 1 January 2013.***

Amendment 5

Proposal for a decision
Recital 2 a (new)

Text proposed by the Commission	*Amendment*
	(2a) Adapting the auction timetable

should be considered to be a short-term action, rather than a structural measure intended to address market imbalances of the EU ETS, and should not undermine the stability and predictability of the EU ETS.

Amendment 6

Proposal for a decision
Recital 2 b (new)

Text proposed by the Commission	*Amendment*
	(2b) In the light of potentially higher prices for certificates, the guidelines on certain State aid measures in the context of the greenhouse gas emission allowance trading scheme post-2012 (SWD(2012)0130, SWD(2012)0131 - indirect emission costs) and the criteria laid down in Article 10a(14)- (17) of Directive 2003/87/EC (direct emission costs) should be considered for a revision taking into account the risk of carbon leakage and distortion of competition between sectors.

Justification

While some industries have received very generous treatment of free allowances there are energy intensive producers which are either exposed to unfair competition because their direct competitors benefit from free allocation of allowances (for example the gypsum sector) or whose level of compensation in consideration of their ultra-energy-intensity (for example the aluminium sector) is too low. Thus, the guidelines on certain State aid measures should reflect this situation and the criteria which determine the carbon leakage list should be revised in order to allow the inclusion of energy efficient sectors with a comparatively low carbon footprint.

Amendment 7

Proposal for a decision
Article 1 – paragraph 1 – introductory part

Text proposed by the Commission	*Amendment*

In the first subparagraph of Article 10(4) of Directive 2003/87/EC the following ***sentence is*** added:	In the first subparagraph of Article 10(4) of Directive 2003/87/EC the following ***sentences are*** added:

Amendment 8

Proposal for a decision
Article 1
Directive 2003/87/EC
Article 10 – paragraph 4 – subparagraph 1 – last sentence

Text proposed by the Commission	*Amendment*
The Commission ***shall***, ***where appropriate,*** adapt the timetable for ***each period*** so as to ensure an orderly functioning of the market.	The Commission ***may***, ***in exceptional circumstances,*** adapt the timetable for ***the period referred to in Article 13(1) beginning on 1 January 2013*** so as to ensure an orderly functioning of the market ***where an impact assessment shows that impact of such intervention on sectors exposed to a significant risk of carbon leakage is limited***. ***The Commission shall make no more than one such adaptation.***

Amendment 9

Proposal for a decision
Article 1 a (new)

Text proposed by the Commission	*Amendment*
	Article 1a
	Entry into force
	This Decision shall enter into force on the third day following that of its publication in the Official Journal of the European Union.

EXPLANATORY STATEMENT

The European Union Emissions Trading System (EU ETS) is a key tool for reducing the industrial emissions of the EU in a cost efficient way. Since the start of the second trading period in 2008, emissions have been reduced by more than 10%. The original policy intention was to set up a market-based measure that would stimulate the carbon price, thus influencing in a positive way investment in low carbon technology and renewable energy, which in turn would result in a reduction of emissions. However, reduction of emissions in the second trading period can be largely contributed to the economic downturn which has lead to the reduced economic activities and production, as indicated in the Commission's report on the state of the European carbon market in 2012.

Despite witnessing a reduction of emissions since the start of the EU ETS, the system currently faces serious imbalances. The current economic crisis combined with a significant inflow of external emission reduction credits from the Clean Development Mechanism (CDM) as well as a number of regulatory provisions relating to the transition to the third trading period (2013-2020), have led to a significant surplus of allowances. By the end of 2011 a surplus of 955 million allowances had accumulated and is set to grow. As the supply of allowances is far exceeding demand, the carbon price has diminished from around 30 EUR/ton CO_2 to around 7 EUR/ton CO_2.

This lowering of the carbon price is inadequate to enhance sufficiently sustainable scientific and technological innovation and has thus become a factor in reducing incentives to invest in low carbon technologies and increasing the risk of locking the European Union into carbon-intensive infrastructures. In order to address the current imbalances in the EU ETS, your Rapporteur suggests the adoption of short as well as long-term measures. Whilst the draft Commission Regulation amending Regulation (EU) No 1031/2010 in particular to determine the volumes of greenhouse gas emission allowances to be auctioned in 2013-2020 (the so-called "back-loading" comitology measure) belongs to the former category, the report on the state of the European carbon market in 2012 outlines possible structural measures.

The aim of this report is to clarify the legislative provisions on the timing of auctions of allowances as laid down in Directive 87/2003/EC. Your Rapporteur believes that the Commission should be able to adapt the auction timetable adopted pursuant to Article 10(4) of Directive 2003/87/EC. However, adoption of such measures should be limited only to exceptional circumstances, such as those that the EU ETS is now facing. Moreover, in order to ensure that stability and predictability of the EU ETS are not undermined, your Rapporteur suggests that the decision to adapt the auction timetable is executed only once in the third trading period of the EU ETS. In this regard this proposed short-term measure should not be seen as a solution to the current imbalances but rather as an option that ensures the stability of the EU ETS until the necessary long-term structural measures are adopted.

28.1.2013

OPINION OF THE COMMITTEE ON INDUSTRY, RESEARCH AND ENERGY

for the Committee on the Environment, Public Health and Food Safety

on the proposal for a decision of the European Parliament and of the Council amending Directive 2003/87/EC clarifying provisions on the timing of auctions of greenhouse gas allowances
(COM(2012)0416 – C7-0203/2012 – 2012/0202(COD))

Rapporteur: Amalia Sartori

The Committee on Industry, Research and Energy calls on the Committee on the Environment, Public Health and Food Safety, as the committee responsible, to propose rejection of the Commission proposal.

PROCEDURE

Title	Amendment of Directive 2003/87/EC clarifying provisions on the timing of auctions of greenhouse gas allowances
References	COM(2012)0416 – C7-0203/2012 – 2012/0202(COD)
Committee responsible Date announced in plenary	ENVI 11.9.2012
Opinion by Date announced in plenary	ITRE 11.9.2012
Rapporteur Date appointed	Amalia Sartori 24.1.2013
Previous rapporteur	Francisco Sosa Wagner
Discussed in committee	28.11.2012 17.12.2012
Date adopted	24.1.2013
Result of final vote	+: 32 –: 14 0: 11
Members present for the final vote	Josefa Andrés Barea, Zigmantas Balčytis, Ivo Belet, Maria Da Graça Carvalho, Giles Chichester, Jürgen Creutzmann, Pilar del Castillo Vera, Dimitrios Droutsas, Christian Ehler, Gaston Franco, Adam Gierek, Robert Goebbels, Fiona Hall, Jacky Hénin, Kent Johansson, Romana Jordan, Krišjānis Kariņš, Lena Kolarska-Bobińska, Marisa Matias, Judith A. Merkies, Angelika Niebler, Jaroslav Paška, Vittorio Prodi, Miloslav Ransdorf, Herbert Reul, Teresa Riera Madurell, Michèle Rivasi, Jens Rohde, Paul Rübig, Amalia Sartori, Salvador Sedó i Alabart, Francisco Sosa Wagner, Konrad Szymański, Britta Thomsen, Evžen Tošenovský, Catherine Trautmann, Ioannis A. Tsoukalas, Claude Turmes, Niki Tzavela, Marita Ulvskog, Vladimir Urutchev, Kathleen Van Brempt, Alejo Vidal-Quadras
Substitute(s) present for the final vote	Daniel Caspary, Françoise Grossetête, Roger Helmer, Jolanta Emilia Hibner, Yannick Jadot, Seán Kelly, Holger Krahmer, Bernd Lange, Werner Langen, Markus Pieper
Substitute(s) under Rule 187(2) present for the final vote	Catherine Bearder, Jean-Paul Besset, Karima Delli, Paweł Zalewski

PROCEDURE

Title	Amendment of Directive 2003/87/EC clarifying provisions on the timing of auctions of greenhouse gas allowances
References	COM(2012)0416 – C7-0203/2012 – 2012/0202(COD)
Date submitted to Parliament	25.7.2012
Committee responsible Date announced in plenary	ENVI 11.9.2012
Committee(s) asked for opinion(s) Date announced in plenary	ITRE 11.9.2012
Rapporteur(s) Date appointed	Matthias Groote 12.9.2012
Discussed in committee	12.11.2012 17.12.2012 24.1.2013
Date adopted	19.2.2013
Result of final vote	+: 38 –: 25 0: 2
Members present for the final vote	Martina Anderson, Elena Oana Antonescu, Kriton Arsenis, Sophie Auconie, Pilar Ayuso, Paolo Bartolozzi, Lajos Bokros, Martin Callanan, Nessa Childers, Tadeusz Cymański, Chris Davies, Esther de Lange, Anne Delvaux, Bas Eickhout, Jill Evans, Karl-Heinz Florenz, Elisabetta Gardini, Gerben-Jan Gerbrandy, Matthias Groote, Françoise Grossetête, Cristina Gutiérrez-Cortines, Satu Hassi, Jolanta Emilia Hibner, Dan Jørgensen, Karin Kadenbach, Christa Klaß, Eija-Riitta Korhola, Holger Krahmer, Jo Leinen, Corinne Lepage, Peter Liese, Zofija Mazej Kukovič, Linda McAvan, Radvilė Morkūnaitė-Mikulėnienė, Miroslav Ouzký, Vladko Todorov Panayotov, Gilles Pargneaux, Antonyia Parvanova, Andrés Perelló Rodríguez, Mario Pirillo, Pavel Poc, Frédérique Ries, Oreste Rossi, Carl Schlyter, Horst Schnellhardt, Richard Seeber, Theodoros Skylakakis, Bogusław Sonik, Thomas Ulmer, Åsa Westlund, Glenis Willmott, Marina Yannakoudakis
Substitute(s) present for the final vote	Nikos Chrysogelos, Minodora Cliveti, Christofer Fjellner, Jutta Haug, Judith A. Merkies, Miroslav Mikolášik, Alojz Peterle, Alda Sousa, Bart Staes
Substitute(s) under Rule 187(2) present for the final vote	Lena Kolarska-Bobińska, Arlene McCarthy, Konrad Szymański, Jacek Włosowicz
Date tabled	25.2.2013