



Press Release

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ETS reform restores regulatory certainty but gaps remain

Following today's inter-institutional political agreement on the Emissions Trading System (ETS) the Confederation of European Paper Industries (CEPI) is broadly encouraged by improvements in the regulation for the 2021-2030 period.

“The conclusion of the ETS negotiations now restores the regulatory predictability needed for advancing industrial transformation. Investments in low-carbon technologies are core to what we stand for as an industry. A more stable regime and tools such as the ETS Innovation Fund will be crucial in accelerating the industry's transition towards a low-carbon circular bioeconomy” says Sylvain Lhôte, Director General of CEPI.

The final compromise text improves significantly the scheme with a more robust stability in carbon leakage provisions and firmer predictability in reviewing the benchmark values. The Innovation Fund will also act as a crucial mechanism in advancing the breakthrough technologies that will spur the industry's low-carbon transition.

Nonetheless, several aspects of the text are lacking and these would need to be resolved. For instance, the Market Stability Reserve (MSR) was significantly amended without any prior assessment of its impact on “industrial competitiveness and the risk of carbon leakage”, even though this was an explicit requirement when amending the MSR decision. Likewise, no solution was found to effectively ensure compensation for indirect costs for exposed energy intensive installations. Finally, while the risk of a shortfall in free credits has been mitigated it has not been structurally eradicated thereby causing unnecessary regulatory risks. The impact of all of the above-mentioned aspects will become more evident by 2021, when all implementing legislation will be finalised. It is therefore imperative to swiftly finalise the full regulatory landscape by adopting all the implementing acts well ahead of 2021.

Note to editor:

Ensuring that the ETS also functions as a pro-investment tool is a core component of the European paper industries '2050 Investment Roadmap'. Check out our '[Alignment matrix](#)' here to see how the ETS can provide a platform for catalysing and enabling industry transformation in Europe.

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