

Dear Commissioner,

The industrial companies' members of *Le Cercle de l'Industrie* all agree on the major political aim of a less carbon-intensive, yet competitive, economy. In this respect, industrial companies need long-term visibility in order to keep investing in Europe and to start or maintain R&D activities, thus preserving jobs or creating new ones.

Le Cercle de l'Industrie welcomes the public consultation issued by the European Commission on the practical modalities of the directive adopted April 6th, 2009 about the European carbon auctioning system starting in 2013.

Le Cercle de l'Industrie has answered to the cornerstone questions (hereafter) and would like to summarize hereafter the key conditions for the success of the auctioning system. In the industrials' view, an auctioning system would be considered satisfactory, provided it generates a clear price signal and builds confidence in the carbon market. Such a system must be built on the following four major principles :

- A **single European auctioning system and a common auctioning platform** (electronic auction market) which prevents distortions of competition between platforms and participants ;
- An **auctioning mechanism based on a system as simple as possible** (single round with sealed bids and uniform clearing price) ;
- A **high frequency of auctions** in order to ensure a smooth reconciliation of the auctions and the secondary market ;
- A **European supervisory authority** in charge of providing transparent information and compliance with the specific rules of this market (spot and derivatives markets) in order to limit the risks of excessive speculative strategies.

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Beyond these four conditions, which are vital for an efficient regulation of the carbon market, it is essential to lay down further conditions regarding the solvency and competence of the operators willing to access the auctions.

Le Cercle de l'Industrie would like to recall that the future auctioning system to be built is unprecedented and very specific. In this regard, the current consultation of the Commission should address the legal and accounting basis of the emission allowances by Member States.

Le Cercle de l'Industrie regrets the format of the electronic consultation launched by the DG Environment and the wording of some questions which limit excessively the contribution of the stakeholders in a very complex issue.

As a consequence, *Le Cercle de l'Industrie* could not deliver precise answers and comment the answers in a position paper. For example, *Le Cercle de l'Industrie* members' could not answer the questions raised under the paragraph 2-1-2 "Auctioning spot or futures" (question 2 and other related questions).

The members of *Le Cercle de l'Industrie* remain available for providing you with any further practical contribution to the setting up of the European carbon auctioning system the European Commission may need.

Yours sincerely,

A handwritten signature in black ink, consisting of stylized, cursive letters that appear to be 'DR' followed by a flourish.

Denis RANQUE