Proposal for a Directive of the European Parliament and of the Council amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments COM(2015)337 final

APPROVED FINAL DOCUMENT

The Committee on Environment, Territory and Public Works and the Committee on Economic Activities, Trade and Tourism of Italy's Chamber of Deputies, convening in joint session;

having examined, in accordance with Rule of Procedure 127, the Proposal for a Directive of the European Parliament and of the Council amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments COM(2015)337;

Whereas:

reforming the European Union's emissions trading system (EU ETS) is a vital step towards effectively tackling climate change;

following the amendments made to it, the EU ETS is unmatched elsewhere in the world for the number of countries and economic sectors involved, and thus stands as a paradigm worthy of international emulation;

the practical application of the EU ETS, however, revealed some very serious flaws in its functioning, especially as regards the mismatch between the supply of and demand for emission allowances, which made it impossible to set a carbon price and led to the substantial breakdown of the system; this proposal for a directive sets out to remedy the flaws;

to achieve the goal of curbing emissions, the proposed directive would increase from 1.74% to 2.2% the rate by which the cap on emissions is lowered annually, starting from 2021;

at the same time, the share of allowances eligible to be auctioned will be confirmed at its current level of 57 percent;

the remainder will continue to be allocated free of charge, even after 2020, to obviate the risk of "carbon leakage", i.e. the risk that industries will transfer production to countries with less stringent environmental policies because of the carbon cost differential;

the European Commission intends to effect periodic updates of the benchmarks used to determine the free allocation of carbon allowances to prevent the occurrence of "windfall profits" and to take into account any technological advances that may have been made in the meantime in the industries in question;

a 2% reserve of EU ETS allowances would flow into a Modernisation Fund to help those Member States whose 2013 GDP per capita was less than 60% of the EU average meet the costs associated with complying with the mandatory emission limits;

mindful that the present final document needs to be transmitted promptly to the European Commission as part of the political dialogue, as well as to the European Parliament and the Council;

do hereby express a favourable opinion, with the following remarks:

a) given that, on the one hand, the EU ETS is already a strategically important tool in the fight against climate change and that its importance is destined to increase in the near future, and given that, on the other, it is having a positive effect on the system of production by encouraging low-carbon activities and technologies, any changes made to the existing system need to be entirely compatible with the preservation of its full efficacy, which implies both setting an appropriate price on carbon emissions and effectively steering business investment towards decarbonisation without forcing companies to take on a disproportionate share of the cost of adjustment;

b) since the benchmarks used to determine the quantity of allowances freely allocated to industry are periodically updated in order to prevent companies from taking windfall profits and to take account of technological advances, we need to consider whether it might not be preferable to replace the standard rate and the one-size-fits-all adjustment variable with systems that are partially differentiated to allow for factors such as machine obsolescence and the different technological potential of various industrial sectors;

c) the new method for identifying industries at greatest risk of carbon leakage must not be allowed to lead to such a restriction in the number of industries thus identified as to undermine the competitiveness of European companies most exposed to competition;

d) it is to be hoped that a harmonized European-level approach can be adopted with regard to financial measures that favour those industrial sectors in which the risk of carbon leakage is most pronounced owing to the indirect costs passed on through electricity prices, so that possible distortions in competition between individual businesses may be avoided;

e) with reference to the validity of the allowances, steps are needed to ensure that the regulations specified in article 13 of the Directive as amended by article 1 of the proposal here under examination are not misconstrued as implying permission for the unlimited borrowing of emission allowances, since this might give industries an incentive to delay actions to curb emissions, which would prejudice the achievement of future targets;

f) given that paragraph 3 of Article 10 of the Directive expands the industrial sectors eligible to benefit from the proceeds from the auctioning of allowances, and introduces support for sectors with a propensity to produce carbon emissions, we need to consider, both for the sake of pro-climate activities in vulnerable third countries and for the sake of skill formation and workforce redeployment in decarbonising economies, whether it is feasible to increase the proportion of funding, currently at least 50% of the revenues of auctions, that is devolved to cover the costs of the full complement of new measures. Such a step would be in keeping with the framework of decarbonisation objectives agreed to at a European and an international level;

g) finally, some thought should be given to the possibility of using tax tools to discourage the most polluting emissions, which could include the introduction of mechanisms to support the price of carbon permits while, at the same time, removing tax benefits and subsidies from the most polluting sources in the various countries of the European Union.