



EUROPEAN COMMISSION

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C(2016) 272 final*

Dear President,

The Commission would like to thank the Chambre des Députés for its Opinion concerning the Commission's proposal for a Directive amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments {COM(2015) 337 final}.

The Commission welcomes the support of the Chambre des Députés for the key elements of the proposal ensuring the increase of emission reductions, incentivising innovation and facilitating the transition to a low-carbon economy.

The Commission proposal for the revision of the EU Emission Trading System (EU ETS) for the period after 2020 is a key piece of legislation in the «Resilient Energy Union with a Forward-Looking Climate Change Policy» initiative, which is one of the priorities of this Commission. The proposal is also an essential part of the implementation of the 2030 climate and energy policy framework endorsed by the European Council in October 2014.

The Commission proposal follows closely the political guidance of the European Council, notably as regards the continuation of free allocation to sectors deemed exposed to a significant risk of carbon leakage as long as no comparable climate policies are undertaken in third countries, in particular by foreseeing better targeted and more flexible rules for free allocation aligned with production levels. With this in mind, the proposal provides adequate protection to those sectors exposed to international competition and not fully passing the costs of climate action on to consumers.

It needs to be kept in mind that the amount of free allocation is limited and declining, in line with the decreasing cap of the EU ETS, and therefore the future use of free allocation must be even more efficient and targeted than today.

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The EU played a key role in securing an ambitious, fair and legally binding universal climate agreement at COP21 in Paris that commits to keeping the global average temperature rise well below 2°C and avoiding dangerous climate change. The EU's climate policy and approach to domestic action has always been based on ambitious global projections that achieve the below 2°C target. In that regard the Commission is pleased that the EU's 2030 package is in line with the level of ambition and the long term goal set out in the Paris Agreement.

The points made above are based on the Commission's initial proposal which is currently in the legislative process involving the European Parliament and the Council, in which the government of the Grand Duchy of Luxembourg is represented.

The Commission hopes that the clarifications provided in this reply address the observations raised by the Chambre des Députés and looks forward to continuing our political dialogue in the future.

Yours faithfully,

*Frans Timmermans
First Vice-President*

*Miguel Arias Cañete
Member of the Commission*