



Brussels, 02.06.2014
C(2014) 3610 final

Dear President,

The Commission would like to thank the Senat for its Opinion concerning the proposal for the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and amending Directive 2003/87/EC {COM(2014) 20 final}.

The Commission is fully committed to preserving the market nature of the EU ETS while addressing the persistent imbalance between supply and demand of allowances in the system with adverse effects on low-carbon investments and the cost-effectiveness of the instrument in the medium term.

The thresholds for placing allowances in or releasing them from the reserve were determined through active engagement with stakeholders. However, the Commission acknowledges that there is no scientific answer to how much liquidity is needed for the orderly functioning of the market. Instead, the review of some of the reserve parameters in 2026 should allow learning from experiences in the early years of the reserve's operation.

If investment and innovation in low-carbon opportunities are not sufficiently incentivised today, there is the risk of stranded assets when emission reductions need to be realised in the future. For industry, the Commission has put in place an effective carbon leakage regime that will remain stable during this decade. Beyond 2020, the Commission will consider how best to reflect competitiveness concerns in the allocation of free allowances.

The Commission does not share the view that the market stability reserve would negatively affect the Polish electricity sector. The proposed reserve is designed in a cap-neutral manner with no impact on the overall ambition level of EU climate policy and not requiring any additional emission reductions.

The points made above are based on the initial proposal presented by the Commission which is currently in the legislative process involving both the European Parliament and the Council at which your government is represented.

*Mr Bogdan BORUSEWICZ
President of the Senat
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The Commission hopes that these clarifications address the issues raised by the Senat and looks forward to continuing our political dialogue in the future.

Yours faithfully,

*Maroš Šefčovič
Vice-President*