

EFET¹ calls on lawmakers to reconsider measures to protect EU ETS from BREXIT impact

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The amendment voted on by the EU Parliament could result in a situation where all EU Emission Trading System (EU ETS) allowances (EUAs) issued by a country, who is leaving the European Economic Area (EEA) after 1 January 2018, may not be accepted within the EEA.

Although the amendment requires the EU Commission to activate it through implementing measures, realistically, future UK EUAs will always be at risk of becoming void under the EU ETS, since their validity cannot be confirmed until the EU 27 and the UK reach an agreement before March 2019, either to arrange a transition involving continued British inclusion in the ETS, or to make alternative arrangements for inter-tradability of EU and UK permits.

We understand the European Parliament's noble intention to mitigate the adverse impact of hard Brexit on the EU ETS. But, the proposed measure is of great concern, because:

- It will split the European carbon market until it is known if a 'hard Brexit' can be avoided, regardless of EU Commission implementing measures;
- It will cause confusion in the market, reducing the appetite for UK EUAs while encouraging oversubscription to "EU-27" EUAs;
- As a consequence, it will create considerable contractual and trading risks, of a type which seems to not have been acknowledged by lawmakers.

"We call for reconsideration of this amendment: its passage would be premature at this stage of Brexit negotiations and stakeholders should be involved in the process to ensure a smooth transition"- says Peter Styles, European Federation of Energy Traders (EFET) Board Member and Chair of the EFET Electricity Committee.

At the very least, we invite lawmakers to consider the points we raise above. Members of the European Parliament may then wish to debate how a revised amendment might mitigate risks and preserve the stability of, and confidence in, the carbon market and its price.

In parallel, we call on the UK government to give a clear signal of its intention to continue issuance of permits, which can count as EU emission allowances after March 2019 and to mandate obligatory participation of UK based installations in a scheme, which qualifies for inclusion within the EU ETS.

For further information, please contact:

Irina Nikolova, *EFET Communication Officer*
E-mail: I.Nikolova@efet.org, Tel: +32 (0) 2 737 11 02

¹ The European Federation of Energy Traders (EFET) promotes competition, transparency and open access in the European energy sector. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and a competitive economy. We currently represent more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org.