



Warsaw, 18 September 2017

## MINISTER OF THE ENVIRONMENT

*Jan Szyszko*

*/Courtesy translation/*

**Ministers of the Environment  
and Climate of the  
European Union Member States**

*Dear Madame/Sir,*

With regard to entering of the negotiations on the draft Directive of the European Parliament and of the Council *amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments* concerning the reform of the European Union emission trading scheme (EU ETS) for 2021-2030 into the final stage, I wish to draw your attention to several significant aspects that should be considered and duly reflected in the final version of the directive.

The EU ETS has been designed to reduce greenhouse gas emission in cost-effective manner. This rule constitutes the essential principle of the system's operation and is supposed to transform the industry and power sector in the Member States towards low-carbon economy.

I wish to point out that the Republic of Poland questions no climate protection objectives underlying the EU ETS however – what we have emphasized from the very beginning of the negotiations – it believes that the EU ETS functioning cannot lead to poorer competitiveness of the economies and the form of energy mix of the Member States (and thus on their energy and supply security). Operation of the system cannot also lead to carbon leakage (and thus to emission increase outside the EU) and higher prices of products and services for consumers.

In October 2014, the European Council adopted the climate and energy policy framework for the European Union by 2030, which on one hand elevated the EU reduction ambitions and on the other hand guaranteed compensation schemes to the low-GDP Member States. These schemes aimed at supporting the necessary modernisation of the power sectors of less wealthy Member States. This compromise has been approved by the representatives of all Member States.

During the Environment Council of 28 February 2017, this compromise has been infringed despite significant and twofold objection of the Member States (the blocking minority composed by 11 and 9 states, respectively). The content of draft directive introduces among other the amendments in the way the Market Stability Reserve (MSR) operates, consisting in redemption of part of emission allowances. It should be noted that decrease in emission allowances translates *de facto* into higher reduction target in EU ETS. According to the conclusions of the European Council of October 2014, the emission under the EU ETS should be reduced by 43%, whereas according to the estimates of the

Republic of Poland based on generally accessible data, the amendments introduced to MSR lead to increased ambitions forcing the target emission reduction of 54% in the EU.

I wish to emphasize that the source of hard-line postulates submitted by the Republic of Poland during the negotiations on the draft EU ETS directive is not the objection against the need for tackling climate change. Our position resulted from assessment of actual and feasible capacity to meet the climate objectives by the individual Member States and aimed at creating adequate conditions for gradual transformation of the power systems and economies in a way having no negative impact on energy security of the Member States and excessive costs for the societies, including for the Republic of Poland.

The Republic of Poland continues to seek the consensus in this issue and in this spirit and following the European solidarity principle, is ready to mitigate its position provided that the draft directive guarantees adequate compensation schemes to enable necessary modernisation of the power sector and limit the impact of elevated reduction ambitions on energy prices.

Below please find the postulates of the Republic of Poland in context of works on the EU ETS revision:

- maintaining technological and fuel neutrality in all compensation schemes of the EU ETS (without introducing the emission limit values),
- opportunity (depending on the decision of the Member States) to increase the use of auction pool for derogation purposes, in line with Article 10c of the EU ETS Directive, from 40% to 60% - this reduces only the emission allowance pool that is allocated for sale by auctioning by the Member State making use of the derogation,
- increasing the Modernisation Fund from 2% to 4% (with the use of auctioning pool or emission allowances from the other sources),
- entering the National Investment Plan (NIP) as the tool for emission allowance allocation under Article 10c of the directive equivalent to tender procedures – with amendments in the NIP operation resulting from experiences gained in the pending settlement period, including changing (updating) the NIP within the settlement period, better transparency in the NIP development and implementation results.

I hope that these postulates will be considered in the draft directive, final form of which will ensure sustainability between the elevated reduction ambitions and resulting increased challenges in a form of higher modernisation costs in less wealthy states, such as the Republic of Poland.

*Yours sincerely,*

(-) Jan Szyszko

Minister of the Environment

Cc: Mr Miguel Arias Cañete, European Commissioner for Climate Action & Energy.