

**Competitiveness issues
in designing the EU
emissions trading scheme**

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Competitiveness issues in designing the EU emissions trading scheme

- **EU-wide trading system with national allocation**

- **Crucial issues for political acceptance**
 - MS: fear that national industry is disadvantaged

 - EU: fear that the Common Market is distorted

- **Complicated issues for implementation**
 - Harmonization vs. subsidiarity

 - Prisoner's dilemma problems

 - Criteria for competitive advantages/disadvantages
to reduce uncertainty for governments and industry

Competitiveness and allocation

- **Treatment of new entrants**

- Free allocation avoids competitive disadvantages
- Otherwise: higher costs for new investments within the EU
- Harmonized allocation rules?

- **Treatment of closures**

- Allowances of closed installations shall be withdrawn
- Otherwise: incentive to shift production (leakage)
- Problem: how to define a closure?

Competitiveness and allocation

- **Consideration of early action**
 - Certified action vs. general allocation rule
 - Harmonized rules for early action?

- **Participants versus non-participants**
 - Taxes, agreements or regulation for non-participants
 - Scientific criteria for „comparable measures“?

- **Competitive disadvantage of the EU industry?**
 - ET minimizes costs to reach climate policy targets
 - ET strengthens competitiveness by innovations

Further research issues

- **Rules and modalities for state aid control**
 - Scientific criteria for competitive distortions

- **Rules for new entrants, closures, early action**
 - Options for policy makers

- **Criteria for „comparable measures“**
 - Basis for climate change programmes without competitive distortions between different sectors

- **Innovation effects of emissions trading systems**
 - Empirical evidence for the international political debate