



**EUROPEAN COMMISSION**  
DIRECTORATE-GENERAL  
CLIMATE ACTION

The Director-General

Brussels, 10 JAN. 2013  
CLIMA/PG/sst Ares(1013) 31233

Mr Sven Kolmetz  
Co-Vice Chairman,  
Project Developer Forum Ltd.  
100 New Bridge Street  
UK London EC4V 6JA

Dear Dr Kolmetz,

Thank you for your letter of 11 December 2012 addressed to President Barroso and Commissioner Hedegaard, who have asked me to reply on their behalf.


The economic crisis has indeed been the primary cause of a large and growing imbalance in the EU Emissions Trading System (ETS), as it has reduced industrial emissions of greenhouse gases by more than anticipated, leading in turn to lower demand for allowances from business. Most recently, this has been demonstrated in the Commission report on the state of the European carbon market, which sets out a range of possible structural measures that can be taken to tackle the surplus. Furthermore, the situation has been reflected in the impact assessment accompanying the draft regulation, as a first step, to revise the auction time profile and postpone (back-load) the auctioning of 900 million allowances in the third trading period of the EU ETS, which started this year.

The crisis of demand in the CDM market is primarily the consequence of a lack of transparency on ambitious mitigation targets and on the process under the AWG-ADP to close the mitigation gap to reach the 2°C objective. We should do our utmost to create this transparency and give the private sector the certainty it needs to invest in clean technologies. We should also make significant progress in making operational the New Market Mechanism (NMM). This has significant advantages over CDM, such as incentivising net reductions and encouraging national policies at sectoral level. Naturally, the capacity, infrastructure and know-how build up for the CDM can and should be transferred to the NMM as well as cap-and-trade systems. Furthermore given that the CDM represents one segment of the wider European carbon market, the valuable knowledge and infrastructure in the EU ETS, e.g. in relation to monitoring, reporting and verifying emissions or trading allowances, is fortunately not affected by the developments in the CDM.

Meanwhile, the EU continues to be the world's largest buyer of CDM credits, including from non-LDC countries. New sources of demand are also being developed in Australia and elsewhere. Another potential source of demand could come from the aviation sector. In ICAO a high level working group will be looking at options for market based measures for the aviation sector. And on the other side of the equation, supply could come down from developing countries that are taking their first steps towards domestic emissions trading.

The Commission welcomes the Project Developer Forum's strong support of the EU ETS and its objectives. As you know, an online consultation on the options for structural measures has been launched<sup>1</sup>. I would be interested in your contribution on how to strengthen the EU ETS.

Yours sincerely,



Jos Delbeke  
Director General

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<sup>1</sup> [http://ec.europa.eu/clima/consultations/0017/index\\_en.htm](http://ec.europa.eu/clima/consultations/0017/index_en.htm)