



THE PRINCE OF WALES'S
CORPORATE LEADERS GROUP

Brussels, 13 January, 2015

EU ETS Market Stability Reserve

Dear Members of the European Parliament,

As you debate the EU-ETS Market Stability Reserve this month, we call upon you to consider its importance for industry in providing a robust framework for investment decisions. As European energy and climate change policy is now entering a crucial period, The Prince of Wales's Corporate Leaders Group (CLG) strongly supports reforming the EU emissions trading system (EU-ETS), the cornerstone of EU climate policy, to ensure it sends a strong and credible signal to investors as soon as possible and before 2020.

We believe that **establishing an EU-ETS Market Stability Reserve (MSR) by 2017 with the 900 million backloaded allowances put directly in the Reserve from the outset**, will rebalance the emissions allowance market, strengthening the carbon price and giving the right signals to investors and industry to effect the necessary transition to a low-carbon economy and energy system. The early introduction of an MSR would also mitigate any downward pressure on the carbon price from structural economic changes or from other successful energy policies.

Establishing an MSR now, whilst bringing forward the Phase IV EU-ETS proposals – including further plans for appropriate carbon leakage protection post 2020 and new funding pathways – is sound industrial policy. Clear industrial innovation pathways and funding mechanisms for low-carbon technology development and deployment will stimulate lower-carbon, more efficient industrial processes and enhance private investment opportunities.

We are convinced that the above reforms will provide the basis for meeting Europe's 2030 commitment of at least 40% GHG emissions reductions and will put us on the road towards our 2050 goals of 80-95% GHG emissions reductions.

The Prince of Wales's Corporate Leaders Group looks forward to a healthy discussion with Members of the European Parliament over the coming debate period. In the meantime, may we take this occasion to also send our best wishes for a productive, happy and low-carbon 2015.

Yours sincerely,

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Chair, The Prince of Wales Corporate Leaders Group
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