Name of company	EDF
Scored	
	Business
	EDF Energy
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	yes
	Energy sector
	yes

1.1 The European Council called for a periodic revision of benchmarks in line with technological progress. How could this be best achieved in your view and, in particular, which data could be used to this end? How frequently should benchmarks be updated, keeping in mind administrative feasibility?	EDF Energy believes that the allocation of free emission allowances should be based on sectoral EU-wide harmonized efficiency benchmarks providing incentives for reduction in greenhouse gas emissions and for investment in low carbon technologies.

1.2 The European Council has defined guiding principles for the development of post-2020 free allocation rules which provide inter alia that "both direct and indirect costs will be taken into account, in line with the EU state aid rules" and that "the most efficient installations in these sectors should not face undue carbon costs leading to carbon leakage" while "incentives for industry to innovate will be fully preserved and administrative complexity will not be increased" and while "ensuring affordable energy prices". Do you have views how these principles should be reflected in the future free allocation rules?	In EDF Energy's view, the final objective for the EU should be an international agreement which makes carbon leakage measures unnecessary. The system must therefore reflect progress being made in the international climate change negotiations with respect to the competitive situation of the affected industry sectors in the competing markets. In the meantime, the risk of competitiveness gap suffered by European industry due to energy and carbon price differentials is real and policymakers should address both its direct and indirect costs. As requested by the European Council, both direct costs and indirect costs should actually be taken into account and an appropriate protection should be granted to companies exposed to extra European competition, using best available energy-efficient technologies. A set of instruments is already in place up to 2020 (articles 10 a (12) and 10 a (6) of ETS Directive + Section 3.7 of Energy Aid Guidelines). It works reasonably well and could be extended beyond that date and amended, if needed, to be in line with the European Council Conclusions of October 2014. Measures especially those for indirect costs should be designed at European level.

1.3 Should free allocation be given from 2021 to 2030 to compensate those carbon costs which sectors pass through to customers? How could free allocation be best determined in order to avoid windfall profits?	EDF Energy agrees that free allocation of CO2 allowances should be given to companies that are exposed to a risk of carbon leakage, in order to mitigate the potential impacts that could otherwise occur. It will be important to establish clear rules to judge whether a company qualifies for free allocation; companies that are able to pass on carbon costs to their customers should not receive free allocation.

1.4 Are there any complementary aspects you would like to add to the replies given to the previous written consultation in the light of the European Council conclusions?	Free allowances should not create artificial oversupply. Therefore, EDF Energy believes it is crucial to tackle the current oversupply of allowances as a matter of urgency. Without a rapid removal of surplus allowances from the market, any measure envisaged would not produce the expected results, neither in terms of emission reduction nor market liquidity.

2.1 Do you see reasons to modify the existing modalities applied in the first two calls of the NER300? Are there any modalities governing the NER 300 programme which could be simplified in the design of the innovation fund? If you see the need for changes, please be specific what aspects you would like to see changed and why.	EDF Energy strongly supports the NER300 programme, which addresses a critical point for innovation, i.e. enabling the transition from an R&D stage to an industrial stage. This transition stage requires high amounts of financial support, which is well addressed by the NER300 programme. Nevertheless, a few improvements could be made to increase the effectiveness of the programme: - ensure that the expected funding from this reserve or any new reserve intended for demonstration projects is clearly defined. This could take the form of a specific reserve auction price for that reserve or activation of the latter at appropriate periods, or any other features that might be appropriate - allow direct contacts between project sponsors and the Commission (under current rules this is prohibited). This will facilitate communication between actors. Member States have to be in the communication loop but not all information needs to go through such a complex, sequential and heavy process - allocate funding on the merits of individual projects rather than by reliance on standardised criteria, which are unlikely to lead to the selection of the best - open NER300 programme to other fields, especially Energy Efficiency, which also require to bridge the gap between R&D & industrialization.

2.2 Do you consider that for the extended scope of supporting low-carbon innovation in industrial sectors the modalities should be the same as for CCS and innovative renewable energy technologies or is certain tailoring needed, e.g. pre-defined amounts, specific selection criteria? If possible, please provide specific examples of tailored modalities.	EDF Energy believes modalities should be the same for innovative technologies to access funds. Objective and general conditions should be fixed to apply for support. This having been said, based on the New Entrant Reserve (NER300) experience, we recommend adding more flexibility within the programme. The selection process, which has been pretty long for NER300, requires to set all project content and associated budget years in advance, without any opportunity to account for changes. EDF Energy believes innovation is continuously evolving. That is why we think the Programme could integrate milestones / reviews, at which potential re-orientation should be possible. As an example, one should think about allowing changing the power output of a power generation installation during the development phase, because of technology improvements.

2.3 Are there any complementary aspects regarding innovation funding you would like to add to the replies given to the previous written consultation in the light of the European Council conclusions?	As mentioned above, EDF Energy believes that a mechanism supporting innovation must be adapted to the innovation process itself, which comprises risk and unexpected elements. The supporting programme must account for flexibility and dynamic evolution. This implies lighter procedures, more milestones and less complexity in information flows.

3.1 Implementation of the modernization fund requires a governance structure: What is the right balance between the responsibilities of eligible Member States, the EIB and other institutions to ensure an effective and transparent management?	EDF Energy believes that project evaluation should be primarily based on project's own merit. Supporting unviable projects because of quotas or pre-allocated funds is not the right way to go. The inclusion of the European Investment Bank (EIB) is a good sign in moving towards merit-based criteria. Many barriers to investment arise from an unstable regulatory framework, which prevents private investors from developing projects. Infrastructure investments are usually long-term investments, for which permanently changing regulation is not acceptable. The modernization fund should thus also provide guarantees against regulatory risks. Project selection should be technology-neutral based on sound criteria defined by EIB in collaboration with Member States.

3.2 Regarding the investments, what types of projects should be financed by the modernisation fund to ensure the attainment of its goals? Should certain types of projects be ineligible for support?	Referring to Energy Efficiency, the modernization fund should account for the diversity of operations. New contracting approaches should be developed so as to (i) guarantee the performance (ii) embrace a large-enough potential so as to mobilize private money (iii) be based on market-like mechanisms with time-limited windows of support.

3.3 Should there be concrete criteria [e.g. cost-per-unit performance, clean energy produced, energy saved, etc.] guiding the selection of projects?	As stated earlier in our response to Question 3.2, energy efficiency should be market driven; relying on for example clear economic criteria and CO2 reduction (other criteria should be indicative). Energy Performance Contracting is a good example of an economically sound basis that provides efficient investments over a fixed period of time.

3.4 How do you see the interaction of the modernisation fund with other sources of funding available for the same type of projects, in particular under the optional free allocation for modernisation of electricity generation (see section 4 below)? Would accumulation rules be appropriate?	EDF Energy considers that different funding sources accumulation should be available (e.g. operating aid and free allocation) on a time-limited basis. However the limit of 100 % coverage of investment costs should never be exceeded. Accumulation should not duplicate evaluation processes and should not add too much complexity. The submission and evaluation process should have an as large as possible common basis, avoiding (i) doing the work twice (ii) adapting project content and objectives for each and every source of funding leading to an inefficient and expensive overall project.

3.5 Do you have views how the assessment of the projects should be reflected in the forthcoming 2030 governance process (e.g. national climate programmes, and plans for renewable energy and energy efficiency)?	The assessment of projects should be done in a separate procedure, but the overall results should be included in the national reporting programmes and their contribution included in overall European CO2 mitigation, renewables and energy efficiency target compliance.
3.6 Should the level of funding be contingent on concrete performance criteria?	Yes.

4.1 How can it be ensured that investments have an added value in terms of modernising the energy sector? Should there be common criteria for the selection of projects?	This mechanism makes sense if the price of allowances is significant. This is why EDF Energy supports a rapid implementation of the MSR and recommends setting the parameters at an ambitious level. We have to recognise that over time the number of free allowances will decrease. As a consequence, any delivery of free allocation devoted to modernising energy systems should fulfil a certain number of criteria, in order to make sure that they are used appropriately: - use of low carbon technologies, providing real reductions compared to the mainstream of the relevant country - description of an overall strategy of the country towards decarbonisation on the long term, - no technologies excluded provided they fulfil criteria above - obligation of reporting - ensure that the process is fully open and transparent.

4.2 How do you see the interaction of the free allocation to energy sector with other sources of funding available for the same type of projects, e.g. EU co-financing that should be made available for the projects of common interest under the 2030 climate and energy framework? Would accumulation rules be appropriate?	No comment.

4.3 Do you have any views how the assessment of the projects should be reflected in the forthcoming 2030 governance process (e.g. as regards improving transparency)?	No comment.

4.4 The maximum amount of allowances handed out for free under this option is limited. Do you think eligible Member States should use the allowances for a period of time specified in advance (e.g. per year), or freely distribute them over the 2021-2030 period? (Please explain your motivation.)	No comment.
4.5 Should there be priorities guiding the Member States in the selection of areas to be supported?	

If so, which of the following areas, if any, currently supported through investments for modernisation of electricity generation up to 2020 should be prioritised for support up to 2030 and why?	
Please explain in detail:	

4.6 How can improved transparency be ensured with regard to the selection and implementation of investments related to free allocation for modernisation of energy? In particular regarding the implementation of investments, should allowances be added to auctioning volumes after a certain time period has lapsed in case the investment is not carried out within the agreed timeframe?	No comment.

5.1 Are there any EU ETS administrative requirements which you consider can be simplified? Do you see scope to reduce transaction costs, in particular for SMEs? If yes, please explain in detail.	No comment.

5.2 Member States had the possibility to exclude small emitting installations from the EU ETS until 2020. Should this possibility be continued? If so, what should be the modalities for opt-out installations to contribute to emission reductions in a cost-effective and economically efficient manner? Should these be harmonised at EU level?	No comment.

5.3 How do you rate the importance of a high level of security and user-friendliness of the Union Registry? Do you think the costs for providing these services should be covered via Registry fees?	No comment.
5.4 Do you consider discrepancies in Registry fees in different Member States justified? Should Registry fees be aligned at EU level?	No comment.

5.5 Under the current EU ETS Directive, at least 50% of the revenues generated from the auctioning of allowances should be used by Member States for climate-related purposes. For the calendar year 2013 Member States have reported to have used or to plan to use 87 % on average to support domestic investments in climate and energy. Do you consider the current provisions regarding the use of the revenues adequate for financing climate action? If not, please explain why?	No comment.

6.1 How well do the objectives of the EU ETS Directive correspond to the EU climate policy objectives? How well is the EU ETS Directive adapted to subsequent technological or scientific changes?	EDF Energy supports the EU-ETS as the EU's main policy instrument to stimulate reductions in GHG-emissions. We see a cap and trade system as the best tool for cost efficient emission reduction. EU ETS aims to provide long term signals in a stable framework. The ETS in its current state does not deliver an appropriate price signal and therefore fails to stimulate investment in de-carbonised generation. In this context, EDF Energy welcomes and supports the recent European initiatives aiming to fix the system such as the "backloading" and the creation of the Market Stability Reserve (MSR), which needs to enter into force rapidly (2017), and following the European Council conclusions of October 24 recommends to start the needed structural reform as soon as possible to obtain a well-functioning allowance market in the long run. Regarding previously mentioned Council conclusions, full consistency in the policy framework must be ensured when implementing the 2030 policy framework, providing a level playing field for all the solutions contributing to the decarbonisation of our economy. The level of ambition in non-ETS sectors offers a considerable potential for CO2 abatement and the progressive market penetration of alternative fuels (e.g. electricity in the transport sector) can contribute in a substantial way to the achievement of the EU climate objectives also beyond 2030.

6.2 What are the strengths and weaknesses of the EU ETS Directive? To what extent has the EU ETS Directive been successful in achieving its objectives to promote emission reductions in a cost-effective manner compared to alternatives, e.g. regulatory standards, taxation?	The EU ETS has been a success in several important aspects, being the world's first multinational cap and trade system for greenhouse gases and a prototype for a global climate regime. The main weaknesses that affect the functioning of the EU ETS are the consequences of interactions with other energy policies and the lack of resilience in response to extraordinary events (such as the 2008 crisis) impacting the demand for allowances. In order to successfully transition towards an energy system with a higher proportion of low carbon electricity, a strong reliable carbon price is required. This is what the ETS, a market orientated tool, is designed to do, by creating a stable framework for a long term decarbonisation path and by ensuring economic competitiveness and protecting consumer's purchasing power, by making cost efficiency the main criterion for the path toward decarbonisation. The ongoing reform of the ETS will help to fix it. The MSR will stabilise the market and the change of the annual factor from 1. 74 % to 2.2 % as well as the inclusion of the "backloaded allowances" in the reserve will reduce the current oversupply of allowances. These measures should be implemented rapidly.

6.3 To what extent are the costs resulting from the implementation of the EU ETS Directive proportionate to the results/benefits that have been achieved, including secondary impacts on financing/support mechanisms for low carbon technologies, administrative cost, employment impacts etc.? If there are significant differences in costs (or benefits) between Member States, what is causing them?	Delivering the CO2 emission cap for each ETS phase is the headline objective of the EU ETS. The long-term benefit of controlling greenhouse gas emissions will be the mitigation of extreme climate change. Without action on GHG emissions, climate change will result in serious impacts on the people and economies of Europe and the world. The Stern Report from 2006 (updated in 2008) and extensive analysis by the IPCC has clearly demonstrated that the longterm costs of climate change far outweigh the shortterm costs of mitigation actions. The ETS sets a series of challenging emission caps, which progressively reduce. By allowing trading of allowances between participants, the least cost technical options that are available can be used first. A trading scheme is thus more cost-effective than applying reductions on all activities independently, whatever the marginal cost of reduction. The key benefit of the ETS is that it will drive emissions reductions by the most cost-effective means across Europe. By seeking out the most cost-effective means across Europe as a whole, the ETS avoids creating significant differences in costs between Member States.

6.4 How well does the EU ETS Directive fit with other relevant EU legislation?	The ETS has been undermined because of interference with diverse policies in the past. The efficiency benefits of the ETS will only be realised in full if decisions on low carbon investments are driven solely by the carbon price. The least cost solutions for low carbon will then be taken up first, resulting in the most cost-effective route to decarbonisation. A depressed carbon price due to other instruments reduces the total investment in low carbon options, because the lower market price is insufficient to drive options that would be viable at the true market price. Consequently, EU climate and energy policy must be considered in a holistic manner so that any parallel targets and support schemes (including energy efficiency and renewable) do not undermine the ETS in the longer term.

6.5 What is the EU value-added of the EU ETS Directive? To what extent could the changes brought by the EU ETS Directive have been achieved by national measures only?	ETS is the main instrument to achieve the EU binding target of reduction in greenhouse gas emissions. It gives a single carbon price through Europe and therefore could give the right price signal (allowing all low carbon technologies to compete on cost efficiency) to drive investments. The EU ETS is by design able to deliver emissions reduction in the most cost-effective sectors and locations.

6.6 Do you have any other comment on the revision of the EU ETS Directive that you would like to share?	EDF Energy welcomes this consultation on the EU ETS which comes at an important point after the 24/10/14 Council conclusions and the first orientations concerning the MSR implementation and in the overall context of the integrated Climate and Energy objectives, as formulated in the Energy Union communication. It is of particular importance when reforming the EU ETS to take stock of past experience but also to look at future prospects and to ensure that the EU ETS delivers a cost efficient (market based) decarbonisation process across industry. One of the challenges of the EU ETS, which is also one of its strengths, is the diversity of the industry sectors involved. This wider scope, together with a market based mechanism, will allow stakeholders to adapt to the decarbonisation objectives using variety of strategies (such as hedging or investments), based on timing and internal objectives and constraints. The various sectors involved needs to have sufficient visibility on the general evolution of carbon prices and on their own exposure to carbon obligations, something the previous market design has failed to deliver. We would also like to add that the reform of the EU ETS is necessary to ensure a well functioning power market. EDF Energy March 2015