2 December, 2014

Dear Environment and Energy Ministers, Members of the European Parliament and Commission

Making the Market Stability Reserve (MSR) work

The EU Emissions Trading System (EU ETS) was meant to deliver a meaningful carbon price signal driving investments in low-carbon technology, growth and jobs. It has, so far, failed to deliver this.

The substantial surplus of allowances, which has undermined the carbon price signal, must be removed in a speedy, transparent and predictable manner. We, therefore welcome the European Commission's Market Stability Reserve (MSR) proposal as a good basis for discussion. However, without further strengthening by the European Parliament and Council we risk facing another "lost decade" for investment in low-carbon technology and job creation.

As ETS participants and investors, we require the following improvements to the MSR:

- **Legislation** should be agreed early in 2015 with ***an effective start in 2017*** to provide investor certainty.
- **900 million 'backloaded' allowances** should be transferred directly to the Reserve to avoid erratic market fluctuations;
- The **review,** scheduled for 2026, should be brought forward to accommodate the new start date;
- Furthermore, it should be considered whether the **12% removal rate** repairs the ETS soon enough;
- **Financing innovation:** Some allowances from the reserve should be used as collateral to finance innovation before the end of Phase 3.

We look forward to working with you.

Alstom, Carbon Markets & Investors Association, CEZ, Danfoss, Danish Energy Association, Danish Wind Industry Association, Dong Energy, EdF, EnBW, Eneco, Energie-Nederlands, E.ON, EUGINE, European Photovoltaic Association (EPIA), European Wind Energy Association (EWEA), Eurelectric, Eurogas, Fortum, GDF SUEZ, General Electric, Grundfoss, Institutional Investors Group on Climate Change (IIGCC), RenewableUK, EU Turbines, Siemens, Spanish Wind Energy Association (AEE), SSE, Vattenfall, Velux, Verbund, Vestas.