

Brussels, 18 May 2017

Mr Michel Barnier
Chief Negotiator for the Preparation and Conduct of the Negotiations with the United Kingdom
European Commission

RE: Implications of Brexit on the EU Emissions Trading System

Dear Mr Barnier,

We are contacting you with regard to the implications of Brexit on the EU Emissions Trading System (EU ETS), the world's biggest carbon market and the EU's flagship climate policy tool.

The International Emission Trading Association (IETA) is a not-for-profit association dedicated to climate protection and the establishment of effective market-based mechanisms for greenhouse gas emission reductions. With over 130 member companies, including leading corporations in oil, electricity, cement, aluminium, and chemical sectors as well as firms in the data verification, certification, brokering, trading, legal, finance, and consulting industries, IETA is the leading voice of the business community on the subject of carbon markets.

IETA believes that preserving climate ambition and ensuring regulatory certainty should be amongst the key principles guiding the negotiations over the UK's departure from the Union and a transition phase between the UK's withdrawal and agreement of future climate cooperation rules between the EU and the UK.

An early UK exit from the EU ETS before 2020 (when the current EU ETS phase 3 ends) would have severe implications for companies both in the EU and in the UK. In order to avoid any potential carbon market disruptions, we strongly recommend that the EU and the UK agree on a continued participation by UK companies in the EU's carbon market, at least until the end of 2020. We consider continuity to be vital for maintaining the integrity of the market, especially in the context of ongoing negotiations on future rules governing the EU ETS between 2021 and 2030.

We encourage the EU and the UK to strive for an early agreement on a transitional period running from March 2019 (when the UK is likely to leave the Union) to the end of 2020. An early deal on the transitional arrangements would boost market confidence and increase regulatory certainty for both the UK and EU.

Without prejudice to the future arrangements on climate cooperation between the EU and the UK, IETA believes that close alignment of the UK overall climate policies with the EU would be beneficial for both the Union and the UK. Such a recommendation together with IETA's views on preferred arrangements for a transitional phase has been shared with the UK's Minister of State for Climate Change, Mr Nick Hurd and the UK's Minister of State at the Department for Exiting the European Union, Mr David Jones.

We offer you our support and expertise on potential solutions and would be pleased to meet with you and your team to discuss in detail any of the issues raised in this letter.

With sincere regards,



Dirk Forrister
President and CEO, IETA



Paul Dawson
Chairman of the Board, IETA