

Warsaw, 10.05.2022

## **Position of the Polish Electricity Association on the joint industry call to safeguard diverse participation in the EU ETS co-signed by Eurelectric**

**Due to the risks of excessive speculation and market volatility, the Polish Electricity Association (PKEE) supports limiting the impact of the financial institutions on EU ETS market. For this reason the PKEE, as a member of the Eurelectric, stresses that it cannot and does not support Eurelectric's co-signing on 10th May 2022 letter relating to this matter.**

The role of the financial institutions on EU ETS market appeared to be one of the most widely discussed issues in the ETS directive revision process. While the PKEE supports keeping the market open for the financial institutions that increase the market liquidity, price discovery and that trade the allowances (EUAs) on behalf of compliance entities, we also welcome the proposals for the measures that improve transparency and prevent activities leading to excessive speculation. This is even more urgent after the recent EUA price swings, which are attributed by some experts, companies and lawmakers to the speculative activities.

The recent amendments tabled inter alia at the Committee on Industry, Research and Energy (ITRE), aim to address the issue of market speculation by excluding the financial institutions that do not act on behalf of the emitters from EU ETS market. The PKEE supports any measure that could effectively address the issue of excessive speculation on the EU ETS. In that sense we believe that the proposed amendments are step in the right direction, as they reflect the wide discussion among the experts, analysts and decision makers about the reasons behind the recent ETS price swings.

The discussion on the issue should continue and some additional measures should be adopted. The European Securities and Markets Authority (ESMA) points out that the speculators did not have significant impact on EUA prices, but it still confirms that there is a speculation on the market and calls on for more market transparency. Therefore, we believe this is not only discussion about the drivers behind the particular price change, but also a discussion about ETS design itself. [The recent study by Compass Lexecon "Impact of financial actors on the European carbon market and potential measures to stabilise prices"](#) explores these main vulnerabilities of EU ETS. In our view these issues must be addressed, regardless of the debate about the extent to which the financials caused EUA price changes. Improving market oversight and transparency will be a step in the right direction, but it is definitely not enough.

Unfortunately, the letter co-signed by Eurelectric goes in the opposite direction. The PKEE cannot support the statement which emphasizes the benefits of the participation of financials in ETS market but at the same time ignores the long-term negative consequences of the speculative positions on the market and excessive speculation leading to the price vulnerability. It is even more disappointing that it comes at the moment when the discussion on the concrete measures to prevent speculation gains momentum.

For the above-mentioned reasons the PKEE is forced to distance from Eurelectric's letter. At the same time the PKEE hopes for further fruitful cooperation to ensure a just transition of the whole European energy sector.

Paweł Cioch

Member of Eurelectric's Board of Directors  
on behalf of Polish Electricity Association (PKEE)