

Dear Sir or Madam

Thank you for your interest in public opinion.

The statements below represent my personal opinion, not the one of my employer.

□ How can the EU increase the innovation capacity of manufacturing industry? Is there a role for the revenues from the auctioning of allowances?

A carbon added tax (CAT) may be more effective than emission trading.

Some desirable features:

- Establishing large zones spanning several countries with identical CAT rates will ease trade between the countries within the same zone.
- The CAT revenue should be neutral to every sector affected (either negative CAT rates for CO₂ savings or reduced VAT)
 - International transport requires negative CAT rates for CO₂ savings (positive rates are extremely weak while negative rates are strong). Neutral balance of CAT (received and paid) assures WTO compliance (no trade barriers).
 - National and international Transport is to be segmented into slow (ocean freight), medium (road, rail) and fast (air freight)
 - Standard emission rates are to be determined for every country. Neutral balance of CAT per country (received and paid) assures WTO compliance (no trade barriers). This means stronger incentives for larger distances.
- A per sector CAT offers better incentives than a cross sector CAT.
- Goods are taxed at import and de-taxed at export (like VAT). Every country can progress at its own pace.
- CO₂ declared or undeclared
 - Standard emission rates are defined for every sector and applied to goods and transport with no CO₂ emission declaration
 - Any producer and transporter who does bookkeeping of emissions can have an exact CAT calculation
 - As an incentive to companies to keep books on emissions, standard rate should be higher than effective CAT on average emissions.

□ How can the EU best improve security of energy supply internally by ensuring the full and effective functioning of the internal energy market (e.g. through the development of necessary interconnections), and externally by diversifying energy supply routes?

In the electricity sector, a combined market of energy and power may be established.

- A producer offers a combination of (control) power and energy, e.g.
 - Hydro (run river): P=10 MW @ 40 EUR/MW/h, E=10 MWh @ 1 EUR/MWh
 - Combined Cycle (CC): P=30 MW @ 5 EUR/MW/h, E=30 MWh @ 35 EUR/MWh
- An electricity purchaser buys both of the above products for one given hour
 - He can satisfy any demand between 0 and 40 MW during the hour in question
 - The purchaser pays for the power in any case, but only for the energy effectively consumed
 - All energy produced by the hydro power station will be bought (merit order)

- Only the energy corresponding to the excess of 10 MWh (bought from Hydro) will be bought from the CC
- E.g.: during the hour in question, the purchaser needs $P=20$ MW (constant), i.e. $E=20$ MWh. He pays
 - 400 EUR P Hydro for 10 MW during one hour
 - 10 EUR E Hydro for 10 MWh
 - 150 EUR P CC for 30 MW during one hour
 - 350 EUR E CC for 10 MWh (the plant won't produce the remaining 20 MWh available)
- The scheme above allows
 - Power stations to run profitably in part load conditions during injection of renewables
 - Energy storage to be profitable
 - Balance groups to buy their own control power

Please don't hesitate to contact me if you have any questions.

Yours sincerely

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