en

Publication | 10.02.2006

Emission Trading Scheme

The EU has set up a cap-and-trade system to limit CO2 emissions from large industrial sources. This so-called Emissions Trading Scheme (ETS) came into effect on the 1st January 2005. The scheme covers large part of industrial CO2 emissions in Europe, but leaves non-electricity household emissions and transport outside its scope.

The Greens welcome the framework that places absolute limits on these emissions while allowing companies in covered sectors to innovate.
However, the environmental effectiveness of the system and achievement of any emission reductions depends critically on Member States national allocation plans (NAPs), i.e. on the amount of CO2 emission rights Member States assign to installations in their territory.

The Greens believe that several points need to be borne firmly in mind if the system is to be a success.

The emission trading system is not a panacea.

It is a very useful part of a broad mix of policies and measures needed to put the EU on a lower-emission trajectory. Other parts of this mix must not be neglected in the general enthusiasm for trading. **Strong policies to limit emissions in the transport sector in particular are still missing**, while too little is being made of the great potential for energy efficiency in buildings and appliances. Industry is a very important player, but must not be depended on to compensate for a lack of action in other sectors.

Importance of national allocation plans.

Although the architecture of the Directive is basically sound, **its success depends critically on the national allocation plans to be developed by the member states**. These plans must set targets that produce real emission cuts. They must be in line with each EU country meeting its target under the burden sharing agreement , taking into account the measures in place to achieve reductions in sectors which are not covered by emissions trading. Even countries which are well below their Kyoto targets, should anticipate the need to achieve further reductions in the future and must not be allowed to give their industry hidden subsidy in the form of emission rights. **The process of setting these targets must be, as stated in the Directive, objective, transparent and open to public comment and feedback**. In line with the "polluter pays" principle and to favour the best performers in the market, the Greens have called for at least partial auctioning of the initial allocation by Member States.

Links with CDM, JI and other systems

The EU cap-and-trade system has been linked with the clean development mechanism (CDM) and joint implementation (JI) of the Kyoto Protocol, which means that companies can use those UN verified

emission reduction credits for compliance under the sheme. **The Greens maintain that any links with such flexible mechanisms must not compromise the commitment done by EU to achieve most of the reduction effort domestically.** The more CDM and JI credits are allowed, the tighter the national allocation plans must be.

EU homepage on ETS

Recommended

Publication



[Call for tenders: Greens/EFA Consultation widget]

18.10.2026

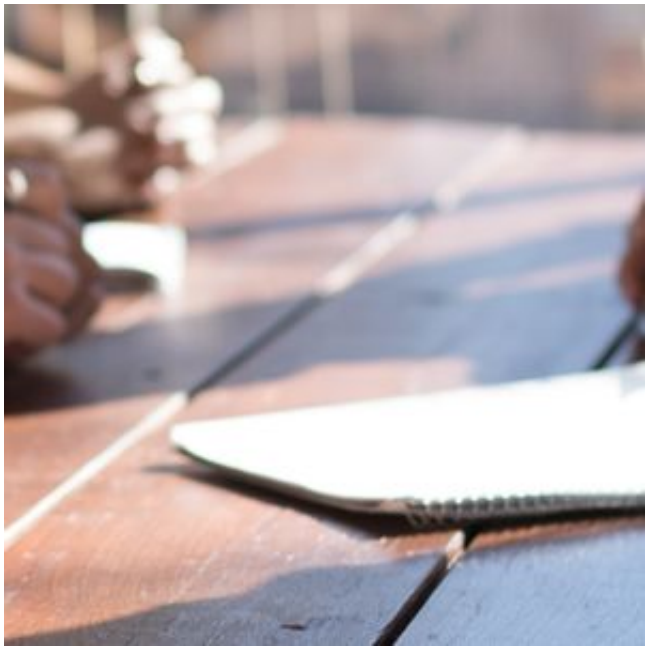
Publication



Call for tenders: The Greens/EFA CRM Software

08.10.2026

Publication



[Human Resources Management System]

02.10.2025

Publication



[Heads of national delegations in the GREENS/EFA Group]

11.03.2025

Please share

- E-Mail