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Emissions trading

Too little, too late; EU Commission proposals condemn ETS to prolonged malfunction

The European Commission today presented proposals ostensibly aimed at addressing the oversupply of emissions allowances in the EU's emissions trading scheme. The Greens expressed regret at the limited nature of the proposals, with Green climate change spokesperson **Bas Eickhout** said:

"What the Commission is proposing is too little, too late. It will do little or nothing to address the oversupply of emissions permits, which is depressing the EU carbon market, in the short to medium term. As a result, if these proposals are not radically altered, it would essentially commit the EU's flagship climate change policy to a prolonged period of malfunction.

"The proposed market stability reserve is a mockery and will utterly fail to deal with the huge surplus of emissions permits that are flooding the market. It will only begin operation from 2021 on, by which time the surplus of permits/allowances in EU's carbon market will have been allowed to grow to 2.6 billion, based on current estimates. Even by 2030, the surplus would still amount to over 2 billion, based on what has been proposed today. With 2 decades of massive surpluses and a resulting depressed price of emissions permits, it is clear that we would have a non-functioning carbon market

"The Greens will continue to push for meaningful structural measures to address the oversupply of permits. We urgently need a functioning emissions trading system that rewards industry for reducing emissions, as a higher carbon price makes investments in green technology and innovation worthwhile. This implies permanently retiring 2 billion emissions allowances to address the oversupply now. Failure to do so, combined with an unambitious greenhouse gas reduction target for 2030, would mean EU climate policy will come to a standstill."

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