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Press release | 08.07.2015

Emissions trading

More measures needed to put EU carbon market back on track

The European Parliament today voted to establish a 'market stability reserve' (MSR), which will slowly start to address the oversupply of emissions allowances in the EU Emissions Trading System (ETS). However, with further reforms of the ETS as a whole due to be put forward this month, more structural measures are needed before the claim can be made that the EU's malfunctioning carbon market has been put back on track. Green climate change spokesperson **Bas Eickhout** comments:

"This is a rare piece of good news for the EU carbon market. The establishment of a reserve mechanism to address the disparity between the flexible demand and fixed supply of emission allowances is a welcome step. MEPs today made the MSR more effective in the short term by transferring into the reserve the glut of carbon emission allowances that would otherwise have flooded the market in 2019 and 2020.

It is important to note however, that the MSR will not be a permanent fix to the enormous surplus in the EU ETS, which will, if left unaddressed, undermine the integrity of future climate targets.

The European Commission will come forward with a proposal for revising the EU ETS next week, setting the rules for the post-2020 trading period. For it to be effective this review must include provisions for permanently removing some of the surplus from the market. The EU's target of a 40% reduction in emissions for 2030 is not ambitious enough to ensure the transformation the energy sector needs and avoiding carbon lock-in. However, the MSR should not be used to avoid taking further action to remove the accumulated surplus in the upcoming review, in order not to jeopardise the achievement of even the 40% target in terms of real emissions in 2030."

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