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Press release | 14.11.2012

Emissions trading scheme

Commission behind the game in repairing misfiring climate policy

The European Commission today adopted its Carbon Market Report, including options for changing aspects of the EU's emissions trading scheme with a view to tackling the problems that are undermining the scheme. While the report outlines which steps could be taken, the lack of concrete legislative proposals mean the Commission is failing to deliver the urgent structural changes needed to the ETS. The Greens also regretted that the Commission proposal to postpone the auctioning of 900 million EU emissions allowances is insufficient to tackle the oversupply in the ETS, and highlighted that allowances will ultimately have to be retired. Commenting on the proposals, Green climate expert and EP draftsperson on the EU's emissions targets, **Bas Eickhout** said:

"The Commission remains behind the game in terms of doing what is required to repair the misfiring emissions trading scheme. The oversupply of emissions allowances and resulting unrealistically low carbon price mean the emissions trading scheme is failing in its purpose of delivering domestic emissions reductions and stimulating investment in green technologies to this end. Radical action is needed to address this.

"Despite its promise to respond to the demand from the European Parliament and Council to deliver structural reforms to address the problems with the ETS during the third phase (1), the Commission is prevaricating: merely setting out options instead of making concrete proposals. We urgently need concrete proposals on permanently retiring emissions allowances to address the oversupply, as well as introducing a linear emissions reduction factor of 2.5%. Ultimately, stepping up the EU's outdated emissions reduction target to at least 30% by 2020 would be necessary to properly rescue the ETS.

"The one concrete proposal from the Commission to tackle the oversupply of permits that is severely undermining the emissions trading scheme is far too conservative. With the surplus of emissions allowances under the ETS already at 1.5 billion and set to rise to 2 billion (2), merely postponing the auctioning of 900 million permits is clearly not sufficient. By returning the 900 million permits to ETS, the Commission will merely be pouring water back into an already flooded market. The proposals on 'backloading', if not accompanied by structural solutions, fall short of repairing the ETS."

(1) As part of the legislative agreement on the EU's energy efficiency directive, the Council and Parliament secured a commitment from the Commission address the problems with the emissions trading scheme. See Green press release on the deal: http://www.greens-efa.eu/emissions-trading-scheme-7511.html

(2) http://www.sandbag.org.uk/blog/2012/jun/19/more-years-worth-2-bn-tonnes-emissions-allowances-/
or: http://ec.europa.eu/clima/policies/ets/auctioning/third/docs/swd_20120724_en.pdf

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