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[Press release](#) | 05.05.2015

Emissions trading

Small step taken to redress malfunction of EU carbon market

The European Parliament and EU governments in Council this reached agreement on proposals aimed at addressing the oversupply of emissions allowances in the EU's emissions trading scheme, notably a proposed 'market stability reserve' (1). Commenting on the agreement, Green climate change spokesperson **Bas Eickhout** said:

"This agreement to create a market stability reserve is another small step towards fixing the EU's malfunctioning emissions trading scheme. It is a band aid to address the massive oversupply of emissions permits, which is totally undermining the EU carbon market, but nobody should be deluded that this addresses the more fundamental problems with the system. Now we have this reserve, the debate must shift to permanently fixing the ETS and this must now be a priority.

"The proposed market stability reserve is set to begin operation from 2019. Crucially, around 1.5 billion surplus emissions permits will be put in the reserve immediately. While it clearly would have been preferable for reserve to start earlier, this is a real improvement on what the EU Commission originally proposed. By this time, the oversupply of emissions permits will be well over 2 billion based on current estimates, meaning the emissions trading scheme will continue to fail in its purpose of delivering domestic greenhouse gas reductions by encouraging investment in green technology. With over a decade of massive surpluses and a resulting depressed price of emissions permits, it is clear that we would have a non-functioning carbon market

"If the EU seriously believes in the ETS, as its main policy instrument for addressing climate change, the oversupply of permits needs to be permanently fixed. This implies permanently retiring 2 billion emissions allowances. Failure to do so, combined with an unambitious greenhouse gas reduction target for 2030, would mean EU climate policy will come to a standstill. We 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. "

(1) The market stability reserve would aim to manage the supply of permits on the market in the EU's emissions trading scheme, removing permits when the supply is too high and reintroducing them if the supply is low. http://europa.eu/rapid/press-release_MEMO-14-39_fr.htm

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