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Press release | 22.01.2013

EU emissions trading

Urgent, robust action needed to prevent carbon market collapse

Reacting to analysis that a further drop in the EU carbon price (the price for EU emissions allowances) is placing the EU's emissions trading scheme at risk of collapse and ahead of key votes in the European Parliament on measures to address the oversupply of emissions allowances (1), Green climate spokesperson **Bas Eickhout** (MEP, Netherlands) said:

"The EU's flagship climate change policy is at risk of total collapse. Despite more than a year of dramatic warnings about the sinking carbon price in the emissions trading scheme, prevarication by EU policy makers has pushed the ETS to the brink. This latest warning should redouble the resolve of decision-makers in the European Parliament and Council, who are set to endorse the modest proposal from the European Commission on postponing the auctioning of 900 million emissions allowances (1).

"While approving and implementing the Commission's 'backloading' proposal must now be a top priority, the reality is that more robust and permanent solutions are needed to properly save the emissions trading scheme. 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. Returning 900 million permits to ETS at a later date would be like pouring water back into an already overflowing bathtub. The 'backloading' pill must be immediately swallowed to treat the symptoms but we need a more permanent cure.

"We urgently need more durable structural solutions, notably on permanently retiring emissions allowances to address the oversupply, and not simply postponing the auctioning of permits. In addition to retiring at least 1.4 billion allowances, there is also a need to introduce a linear emissions reduction factor of 2.5% per year. Ultimately though, stepping up the EU's outdated emissions reduction target to at least 30% by 2020 would be necessary to properly rescue the ETS. Failure to deliver a permanent solution will mean the emissions trading scheme will continue to fail in its purpose of delivering domestic emissions reductions and stimulating investment in green technologies to this end."

(1) The European Parliament and Council are currently in the process of deciding whether or not to approve the Commission proposal. The EP's environment committee vote will take place on 19 February. The EP's energy and industry committee will vote on its opinion on Thursday (24 January).

(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/20121112_com_en.pdf

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