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Member States must lead the transition

EU Emissions Trading System

The European Parliament has today approved the outcome of trilogue negotiations on the revision to the EU's Emissions Trading System, the EU's landmark policy in the fight against climate change.

Bas Eickhout, who was the Greens/EFA shadow rapporteur, comments:

"The Emissions Trading System is one of the best hopes we have in the fight against climate change, but it has been failing to deliver. Until the cost of CO2 reflects the damage reaped upon the climate, the ETS will never drive the rapid transition we need. The changes approved today have already helped to push prices up from the paltry €5 per tonne we had a year ago, but won't bring us anywhere near the level needed to meet our Paris climate agreement commitments. Member States now have a duty to come up with national policies to boost the carbon price, for example by introducing national minimum prices that lie above the current ETS price.

"While the existing rules placed a limit on Member States' ambitions, the new measures offer a window of opportunity. Thanks to the insistence of the Greens, EU governments can now shut down coal plants without having to pass the CO2 on to other sectors. I hope that national governments will see the potential in leading the energy transition and will seize this opportunity to quicken the pace of change."

Background

The revision will not bring EU climate policy in line with the Paris climate agreement, but will ensure that the system is not a liability for future climate targets in the event that real word greenhouse gas emissions reductions happen faster than the ETS cap. This will be achieved due to the inclusion of a mechanism to invalidate the excess surplus of allocations from the market stability reserve.

The increase in shifting allowances from the market should result in a modest increase in the price of carbon allowances (current prices are far too low to incentivise the reduction of green-house gases in the power sector or industry). The market stability reserve mechanism will become operational next year.

EU Member States also gain the ability to scrap allowances when closing coal plants, which gives scope to reduce further the number of allowances on the market.

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