

## EU parliament approves market stability reserve for emissions trading

Written by Julie Levy-Abegnoli on 13 July 2015 in News  
News

MEPs have voted in favour of reforming the EU's emissions trading system.



Parliament has approved an agreement reached with the European council to reform the EU emissions trading system (ETS), through the introduction of a market stability reserve (MSR) mechanism, which will become operational as of 2019.

The ETS allows companies to purchase CO2 emissions allowances, or sell them off if they have any carbon provisions left over. The MSR is intended to ensure more stable prices for these allowances, by reducing the offer if there are too many allowances on the market.

Rapporteur Ivo Belet stressed that, "the market stability reserve is an efficient, market-driven tool that will stabilise our ETS system and thereby save the central pillar of Europe's sustainability and climate policy."

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"This reform puts Europe on the right track to achieving its ambition of 40 per cent less CO2 emissions by 2030."

It is also intended to assist business, as "for energy-intensive industries - steel, chemicals, glass, etc. - achieving less CO2 emissions is a daunting task and requires important investments. We need to ensure sufficient guarantees for these companies to prevent them from delocalising their production facilities to countries outside the EU that has less stringent climate policies [in what is known as] carbon leakage", explained Belet.

Progressive Alliance of Socialists and Democrats group shadow rapporteur Matthias Groote was pleased that, "with the vote, we are sending a strong and clear signal towards the climate negotiations that will take place in Paris in December."

He added, "the ETS is one of the main pillars of EU climate policy and has the potential to inspire other regions in the world."

Going into detail about the agreement, he said, "the decision includes a specific review of the carbon leakage provisions of the ETS, within six months of its entry into force and the establishment of a new innovation fund for breakthrough innovation projects."

"This new fund will have 50 million allowances and it will help the transition from the new entrants' reserve - set up for the third phase of the ETS, with 300 million allowances to stir innovative low-carbon energy demonstration projects."

And while Greens/European Free Alliance shadow rapporteur Bas Eickhout did concede that the result was "a rare piece of good news for the EU carbon market", he warned that the MSR would "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."

With the commission due to present its amended ETS proposal next week, the Dutch MEP underlined that, "for it to be effective, this review must include provisions for permanently removing some of the surplus from the market."

"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 per cent target in terms of real emissions in 2030."

## About the author

Julie Levy-Abegnoli is a journalist and editorial assistant for the Parliament Magazine

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