

ETS Reform: Looney Tunes or Merry Melodies?

Written by Ian Duncan on 8 June 2016 in Opinion
Opinion

A Wile E. Coyote approach to ETS reform would have gained praise to begin with, but would still have left a rapporteur-shaped hole in the canyon floor, writes Ian Duncan.



I remember asking my mother, many years ago, why Wile E. Coyote never caught the Road Runner.

No matter how intricate his plans, no matter how clever or devilish, each cartoon would see the poor old coyote toppling over a canyon edge, invariably followed by a boulder.

Having published my report on the reform on the EU's Emission Trading Scheme (ETS), I have a new found sympathy for the cartoon coyote.

As a representative of a smaller political group, without the votes to have it my way, it was clear that the only way to reform the ETS was to find common ground. To that end I convened five private evidence sessions, covering all the issues, allowing my shadows to interrogate a range of witnesses.

RELATED CONTENT

- [Ian Duncan: Free allowances to be 'beating heart' of EU ETS reform](#) [1]
 - [Jacob Hansen: EU ETS reform must acknowledge crucial differences between industries](#) [2]
 - [EU ETS: Industry concerned over proposed 'tiered approach](#) [3]
 - [Effective ETS reform must resolve issue of indirect carbon costs compensation](#) [4]
 - [Esther de Lange: EU ETS reform should be simple and realistic](#) [5]
 - [Hans-Olaf Henkel: EU ETS reforms must balance restriction and protection](#) [6]
 - [Could a CO2 emissions performance standard fix the EU ETS?](#) [7]
-

At the end of the process my shadows were presented with an options paper (you can find it [here](#) [8]), inviting them to indicate their group's position. The process was collegiate and transparent. The report was based upon a distillation of those views.

The response from one quarter has been notably shrill. Indeed for the first time ever I have blocked someone on Twitter (and that's going some, given I hail from the land of the CyberNat). I have pulled a conversation from Twitter to help explain. (Not the blocked conversation, I hasten to add).

- *This #EUETS proposal suffers from triple industry-lock. Is @IanDuncanMEP closing the door on a 1.5 degree world?*
- *No. He is proposing ambition is recalibrated in 2023, early in phase IV, in line with the Paris Agreement*
- *Evidence shows that if countries do not step up now, all chances for 1.5 C are lost by 2025. Why wait 7 years?*
- *Phase IV starts in 2021, the MSR [Market Stability Reserve] starts in 2019. Are you certain the MSR approach will fail?*
- *Commission impact assessment shows MSR fails to deliver meaningful #EUETS price pre2030*
- *Freak floods in DE, FR & AU, 4 dead. 60 mn facing hunger after freak climate El Nino. @IanDuncanMEP we need you to aim higher!*

Phase IV will begin in January 2021, no matter what I say. The MSR is a done deal, for good or ill.

On the MSR, the ambition of the rapporteur, Ivo Belet - an ambition I shared as his Shadow - was curtailed by the European Parliament; a cautionary tale on the power of the rapporteur, if ever there was one.

A review of the ETS in 2023 in light of global ambitions is deliverable, judging by the responses of the shadows. An ambition at the outset, higher than the European Commission proposal, is not.

Ultimately the Parliament will determine whether my assessment is correct. For those who would seek a different outcome, I say: "get lobbying". That's how law is made in the EU, after all.

However, it would be craven of me to hide behind the various group majorities. I have crafted a report

that I believe is a step beyond the Commission position, addresses climate change and the wider economic challenges, and can be supported by the Parliament's political groups.

Let me explain the 'triple lock' approach to addressing climate change. (I will be writing a companion piece later on the reason why this is a driver of industrial change).

Lock One

In 2023, the UN will conduct its first global climate stocktake, determining whether those countries which signed the Paris Accord are doing their share to hold global temperature rise "well below two degrees".

If the EU is off course then it must raise its ambition. Whilst there are a number of policies which the EU could adjust, if my stocktaking amendment is accepted, then only the ETS will have a legal review clause built in.

Bear in mind that the review will come only 24 months into Phase IV.

Lock Two

The ETS price is depressed by two factors: an oversupply of allowances primarily stemming from the economic downturn (which the MSR will address) and a smorgasbord of other measures designed to reduce emissions, each of which is working.

Under other cap and trade schemes, there is linkage between all emission reduction measures and the national reduction target.

Not in the EU. Under my proposal, each year the Commission must determine the impact these overlapping measures have on the carbon market and, when necessary, adjust the ETS to redress the balance.

For example, by the time that Phase IV starts, it is estimated that the Renewables Efficiency Directive and the Energy Efficiency Directive combined will have reduced demand for allowances by 700m tonnes of CO₂.

Were the Commission to utilise the lock two clause and reduce the cap accordingly, it would remove more carbon in one go than the 26 per cent increase in ambition from Phase III to Phase IV.

And it would do so without adjustment of the Linear Reduction Factor (which, by my assessment, does not command majority support in the Parliament).

Lock Three

Emission reduction measures at a national level in the electricity generating sector are working. The UK, which produces annually 75m tonnes of CO₂ from coal, will fully decarbonise by 2025.

Other EU nations have equally bold ambitions. My proposal will allow member states to retire these surplus allowances. This approach, founded upon subsidiarity, recognises that member states have a serious role in powering ambition within the ETS, and that they need not move at the pace of the slowest camel in the train.

In proposing the triple lock of ambition, I hope that I have laid the foundations for an ETS that is more market sensitive and embraces ambition without simple reliance upon adjustment to the Linear

Reduction Factor.

There is no doubt the Wile E. Coyote approach would have gained plaudits at the outset, and commiserations at the conclusion, as the Parliament surveyed a rapporteur-shaped hole in the canyon floor.

However, I am not claiming I have caught the Road Runner. There is much more work to be done by the Parliament before that day arrives.

About the author

Ian Duncan (ECR, UK) is Parliament's rapporteur on enhancing cost-effective emission reductions and low carbon investments

Tags

[Energy](#) [9]

[Environment](#) [10]

Categories

[Business and industry](#) [11]

[ETS](#) [12]

[Energy](#) [13]

[Environment](#) [14]



Site Sections

- [Home](#)
- [Content](#)
- [Policy](#)
- [Magazines](#)
- [PM+](#)
- [Thought Leader](#)
- [Climate Crisis](#)
- [Editorial Calendar](#)
- [Policy Events](#)
- [Event Coverage](#)
- [MEP Awards 2020](#)
- [Contact Us](#)

Services

[Dods PeopleDods](#)
[MonitoringDods](#)
[ResearchDods](#)
[EventsDods](#)

[Training](#)

**Media &
publishing titles**

[Politics HomeThe
HouseThe
Parliament
MagazineHolyrood
Total PoliticsPublic
Affairs NewsCivil
Service
World
PublicTechnology
Training
JournalDods
Parliamentary
CompanionVacher's
Quarterly The
European Union and
Public Affairs
Directory](#)

Dods events

[Westminster
BriefingDigital
Health & Care
ScotlandMEP
AwardsThe Skills
SummitScottish
Public Service
AwardsPublic Sector
Procurement
SummitPublic
Sector ICT
SummitCyber
Security
SummitCyber
Security
2017Training
Journal Awards](#)

**Partnership
events**

[The Health and
Care Innovation
ExpoCivil Service
LiveCivil Service
AwardsChief
Nursing Officer for](#)

[England's SummitWomen into LeadershipThe Youth Justice ConventionSocitm Spring ConferenceNHSCC Annual Members' EventDods at Party Conference](#)

[Privacy PolicyTerms & ConditionsAdvertisingSponsorship Subscriptions](#)

Source URL: <https://www.theparliamentmagazine.eu/articles/opinion/ets-reform-looney-tunes-or-merry-melodies>

Links

- [1] <https://www.theparliamentmagazine.eu/articles/opinion/ian-duncan-free-allowances-be-beating-heart-eu-ets-reform>
- [2] https://www.theparliamentmagazine.eu/articles/partner_article/fertilizers-europe/eu-ets-reform-must-acknowledge-crucial-differences
- [3] <https://www.theparliamentmagazine.eu/articles/news/eu-ets-industry-concerned-over-proposed-tiered-approach>
- [4] https://www.theparliamentmagazine.eu/articles/partner_article/european-aluminium-association/effective-ets-reform-must-resolve-issue
- [5] <https://www.theparliamentmagazine.eu/articles/opinion/eu-ets-reform-should-be-simple-and-realistic>
- [6] <https://www.theparliamentmagazine.eu/articles/opinion/eu-ets-reforms-must-balance-restriction-and-protection>
- [7] <https://www.theparliamentmagazine.eu/articles/opinion/could-co2-emissions-performance-standard-fix-eu-ets>
- [8] http://www.ianduncan.org.uk/index.php/site/article/ets_options_paper
- [9] <https://www.theparliamentmagazine.eu/tags/energy>
- [10] <https://www.theparliamentmagazine.eu/tags/environment>
- [11] <https://www.theparliamentmagazine.eu/categories/business-and-industry>
- [12] <https://www.theparliamentmagazine.eu/categories/ets>
- [13] <https://www.theparliamentmagazine.eu/categories/energy>
- [14] <https://www.theparliamentmagazine.eu/categories/environment>