

Climate and energy group calls for EU emissions trading reform to match historic Paris climate deal

Written by Wendel Trio on 16 June 2016 in Opinion
Opinion

CAN Europe chief responds to comments by European Parliament's lead ETS reform rapporteur Ian Duncan.



ETS has suffered from an oversupply of allowances | Credit: PA Photos

At their meeting next week (21 June) the European Parliament's environment, public health and food safety committee will discuss reform of the emissions trading scheme.

The most troubling aspect of the current ETS debate is that MEPs have been silent on the most important part of the reform to bring the ETS in line with the COP 21 Paris agreement and to turn it into a functioning climate policy.

The Paris agreement was a milestone. All countries agreed that we need to take steps to limit temperature rise to 1.5°C. They furthermore recognised that their current climate commitments are inconsistent with this goal and therefore must be revised and improved.

RELATED CONTENT

- [ETS Reform: Looney Tunes or Merry Melodies?](#) [1]
 - [Ian Duncan: Free allowances to be 'beating heart' of EU ETS reform](#) [2]
 - [Jacob Hansen: EU ETS reform must acknowledge crucial differences between industries](#) [3]
 - [EU ETS: Industry concerned over proposed 'tiered approach](#) [4]
 - [Effective ETS reform must resolve issue of indirect carbon costs compensation](#) [5]
 - [Esther de Lange: EU ETS reform should be simple and realistic](#) [6]
-

The ETS discussion, on the other hand, has focused almost exclusively on the so-called carbon leakage issue: which industries should receive how many free pollution permits. However, what drives emission reductions is not determined by the auctioning share but by the emissions cap and the resulting carbon budget.

The ETS has suffered for years from a gigantic oversupply of pollution permits. This is due to a weak 2020 target (which has already been met years in advance) and extremely cheap international offsets of dubious quality. As a result, permit prices are so low that they cannot drive emission cuts.

The post-2020 reform is the very last opportunity to make the ETS relevant. If the ETS is not reformed and its ambition is not increased it will, at best, remain an ineffective paper tiger and at worst, undermine other climate action.

Ian Duncan, the rapporteur in charge of the ETS file in the European Parliament's environment (ENVI) committee, argues that his [recently published reform proposals have a "triple lock" on ambition](#) [1]. Let's look at them a bit more carefully:

Lock one is a legal review clause for the ETS target that would start in 2023. While it is a welcome advance to see the Paris review commitment partly reflected in the ENVI draft report, this would at the earliest result in a higher target to be decided in 2025 and likely not take effect until 2030.

This is a lock, but one that locks in high emissions. Starting a first review by 2023 is simply too late. If the EU wants to show international leadership on climate issues it must improve its targets, including the ETS target, in time for the 2018 global stocktake agreed in Paris.

Duncan's second lock is a proposal that the European Commission must determine the effect of measures taken outside the ETS that have an impact on it and, when necessary, adjust the ETS to redress the balance. If this means that allowances would be tightened to reflect other policies, then that would indeed be a very welcome measure. If, on the other hand, it is used as an argument to weaken other, more successful policy instruments, then this measure would be counterproductive.

The third lock would allow EU member states that have retired coal-burning power plants to cancel allowances to avoid a "waterbed" effect, when more ambitious climate targets in one country lead to less ambition in the rest of the EU. This is indeed a much needed measure, although it should not be limited to actions solely within the power sector. A member state should be free to choose to not

bring to auction their allowances, in order to ratchet up climate ambition.

Despite the measures that Duncan is proposing, the current ENVI draft proposal remains weaker than that of the Parliament's industry, research and energy committee (ITRE). This was confirmed by Thompson Reuters analysts who modelled a very modest but nevertheless higher price increase under the ITRE proposal than under the ENVI one. This is highly unusual.

Duncan points out that he is only trying to find common ground, reflecting the general lack of appetite for substantial reforms. This may indeed be so. But in an atmosphere of apathy towards real reforms, it is the ENVI committee's task to call for climate integrity.

The ETS reform proposal by the Commission based on the 2014 Council conclusions was developed before the Paris summit and needs to be substantially improved. This must include raising the 2030 ETS target in line with the Paris objectives. The linear reduction factor needs to be increased well above 2.2 per cent. In addition, reductions need to start at the level of actual emissions and not at the weak 2020 target as this would immediately create a new surplus of emission allowances.

Lastly, surplus pollution permits must be cancelled. Such a cancellation would represent a tangible EU contribution to this year's United Nations Framework Convention on Climate Change (UNFCCC) facilitative dialogue on increasing pre-2020 action.

The severe floods that recently engulfed Paris and many parts of Europe are a stark reminder of what is at stake. The discussion on ETS reform is fundamentally a discussion about our future. The effects of climate change are becoming increasingly dire yet we continue to gobble up the small remaining carbon pie. This may explain why some in the NGO community have resorted to a "shrill" tone when trying to make their voices heard.

The fact is that the voices of science and precaution have not been heard by policy makers. ETS has remained a largely ineffective policy tool for over ten years, and if we believe analysts, will remain ineffective with the reforms suggested by both the Commission and the Parliament.

About the author

Wendel Trio is Director of Climate Action Network (CAN) Europe

Tags

[Energy](#) [7]

[Environment](#) [8]

[Transport](#) [9]

Categories

[Business and industry](#) [10]

[ETS](#) [11]

[Energy](#) [12]

[Environment](#) [13]

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 Policy](#)[Terms & Conditions](#)[Advertising](#)[Sponsorship](#) [Subscriptions](#)

Links

- [1] <https://www.theparliamentmagazine.eu/articles/opinion/ets-reform-looney-tunes-or-merry-melodies>
- [2] <https://www.theparliamentmagazine.eu/articles/opinion/ian-duncan-free-allowances-be-beating-heart-eu-ets-reform>
- [3] https://www.theparliamentmagazine.eu/articles/partner_article/fertilizers-europe/eu-ets-reform-must-acknowledge-crucial-differences
- [4] <https://www.theparliamentmagazine.eu/articles/news/eu-ets-industry-concerned-over-proposed-tiered-approach>
- [5] https://www.theparliamentmagazine.eu/articles/partner_article/european-aluminium-association/effective-ets-reform-must-resolve-issue
- [6] <https://www.theparliamentmagazine.eu/articles/opinion/eu-ets-reform-should-be-simple-and-realistic>
- [7] <https://www.theparliamentmagazine.eu/tags/energy>
- [8] <https://www.theparliamentmagazine.eu/tags/environment>
- [9] <https://www.theparliamentmagazine.eu/tags/transport>
- [10] <https://www.theparliamentmagazine.eu/categories/business-and-industry>
- [11] <https://www.theparliamentmagazine.eu/categories/ets>
- [12] <https://www.theparliamentmagazine.eu/categories/energy>
- [13] <https://www.theparliamentmagazine.eu/categories/environment>