

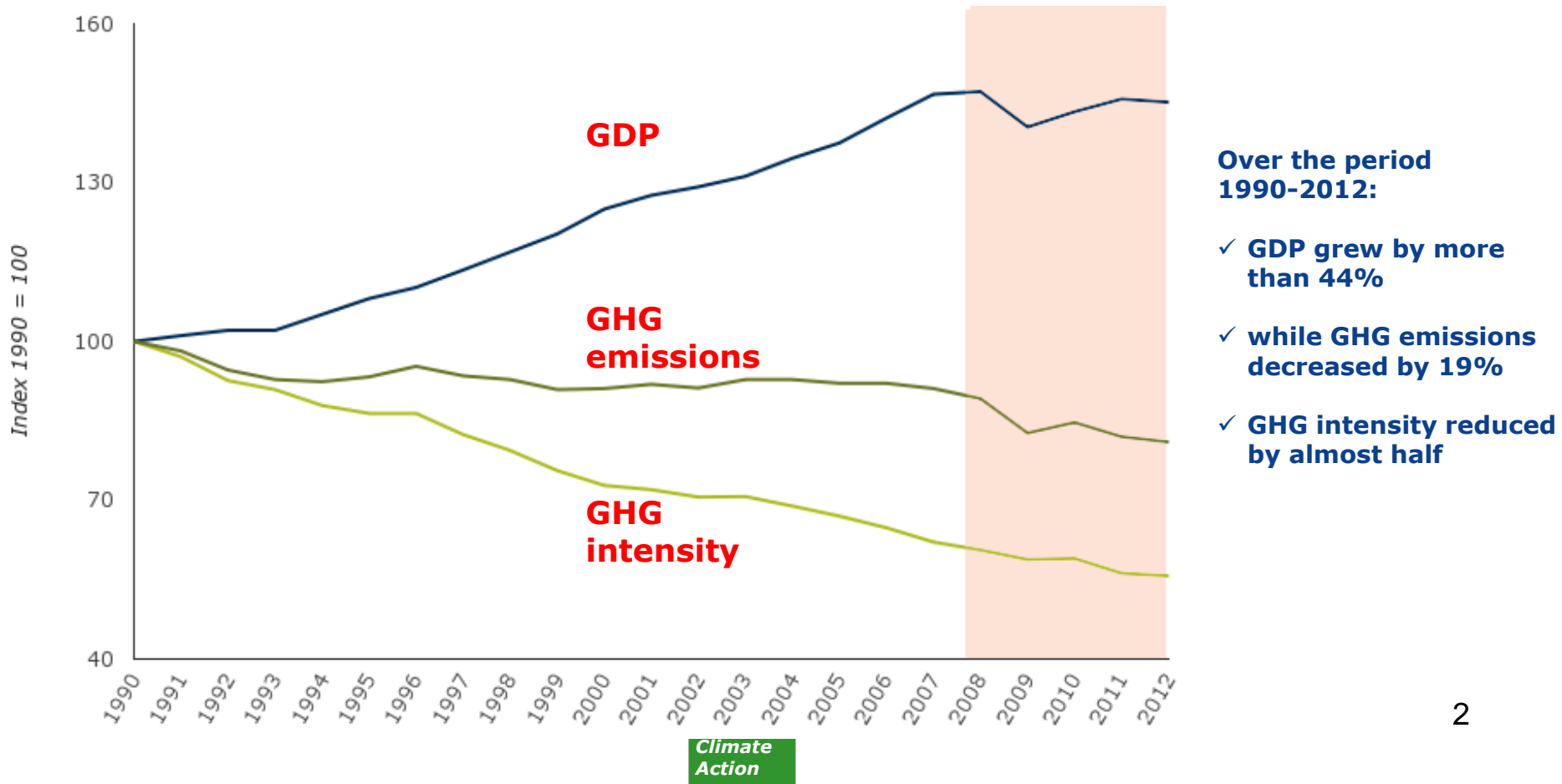


2030

FRAMEWORKfor**CLIMATE&ENERGY**
#EU2030

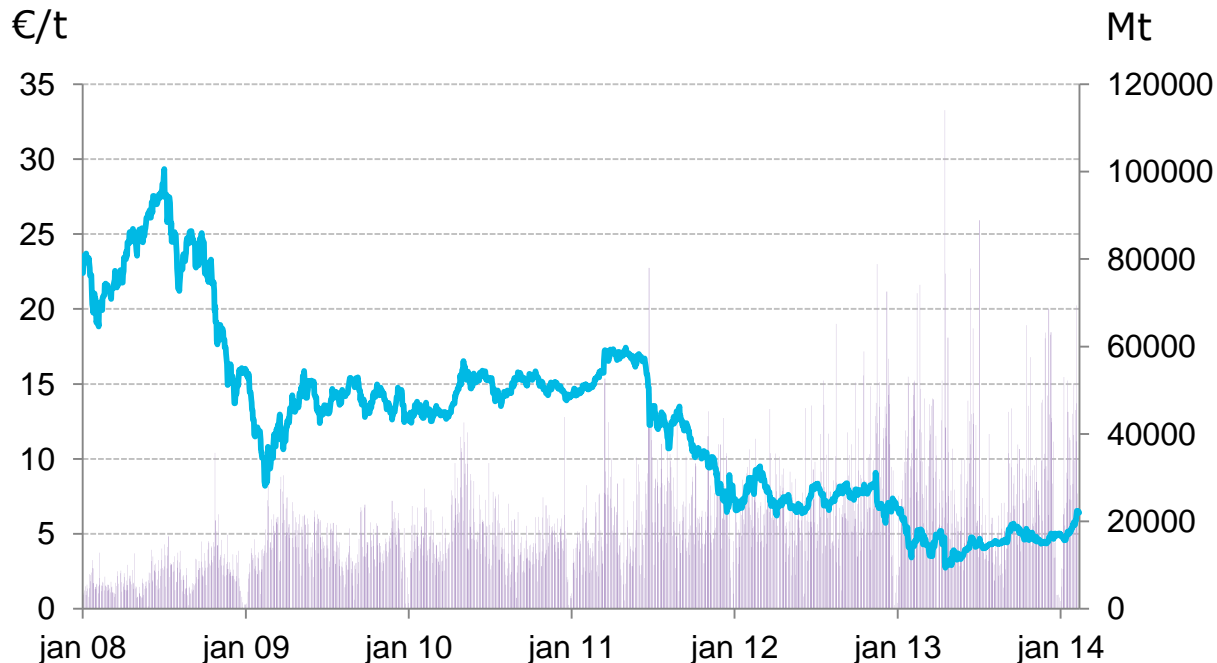
Jos Delbeke
European Commission
Director General for CLIMATE ACTION
European Parliament
22 July 2014

EU greenhouse gas emissions have reduced while GDP increased



Carbon pricing and European carbon market

- Latest report from the UN Intergovernmental Panel on Climate Change: importance of putting a price on carbon to help limit the increase in global mean temperature
- World Bank: "*Carbon pricing is the most efficient and cost effective means of reducing emission*"
- In 2014, about 40 national and over 20 sub-national jurisdictions have already implemented or scheduled emissions trading schemes or carbon taxes



EU Emissions Trading System since 2005:

- Created EU-wide price signal
- Covers some 11000 installations
- Liquid market with growing volumes

Substantially improved architecture as of phase 3 (agreed 2008, starting in 2013)

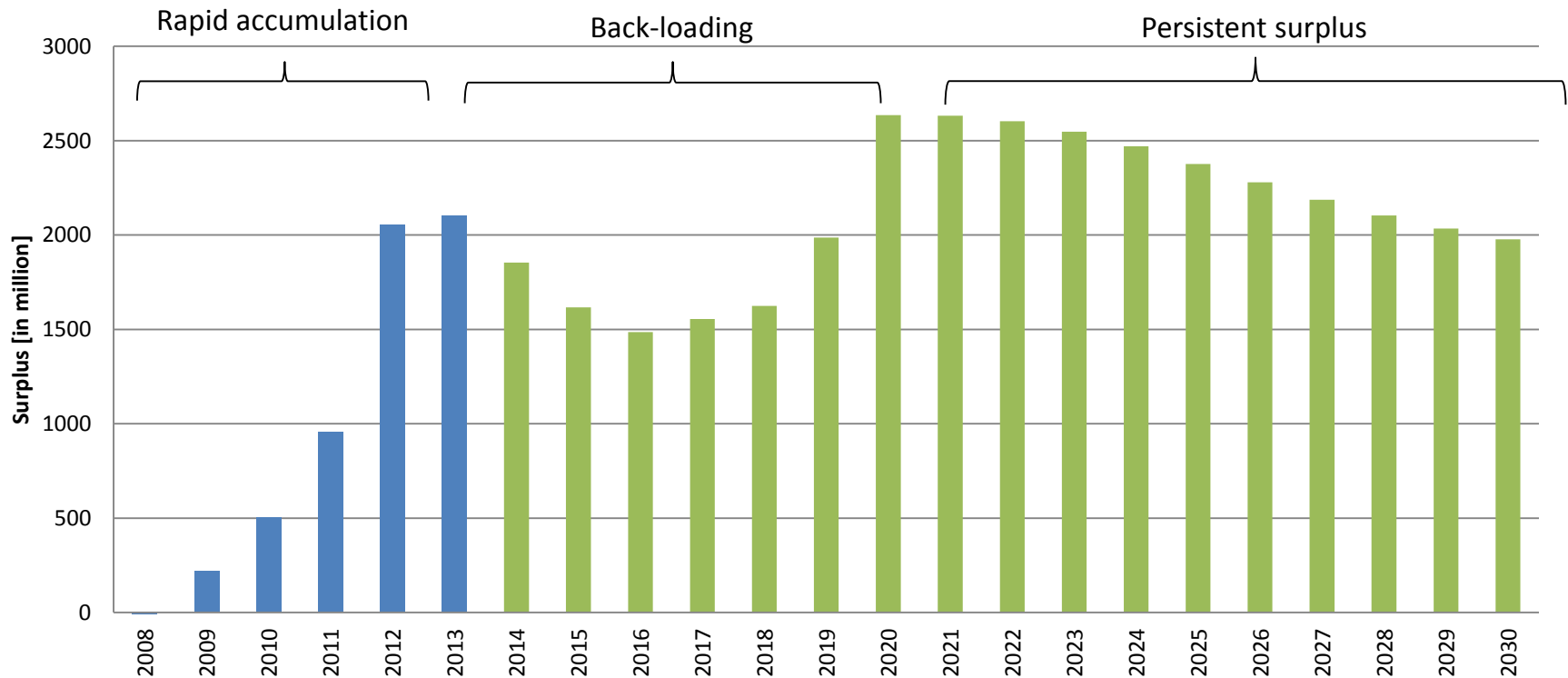
The EU ETS is working well from a technical point of view

Starting last year, it saw a major overhaul

- ✓ **Cap-setting is an EU process**
- ✓ **Auctions are a daily routine**
- ✓ **Harmonised free allocation to industry and carbon leakage provisions**
- ✓ **Single registry is operational**
- ✓ **Rules for recognising international credits**
- ✓ **Improved protection against fraud (allowances covered by new MiFID)**
- ✓ **Use of ETS revenue to fund clean energy project across the EU, including carbon capture and storage (€2.2 billion for projects in 20 Member States)**

Then came the recession – and the structural reform debate

- Large and persistent market imbalance
- Back-loading of auction volumes started in March: but only first, temporary step



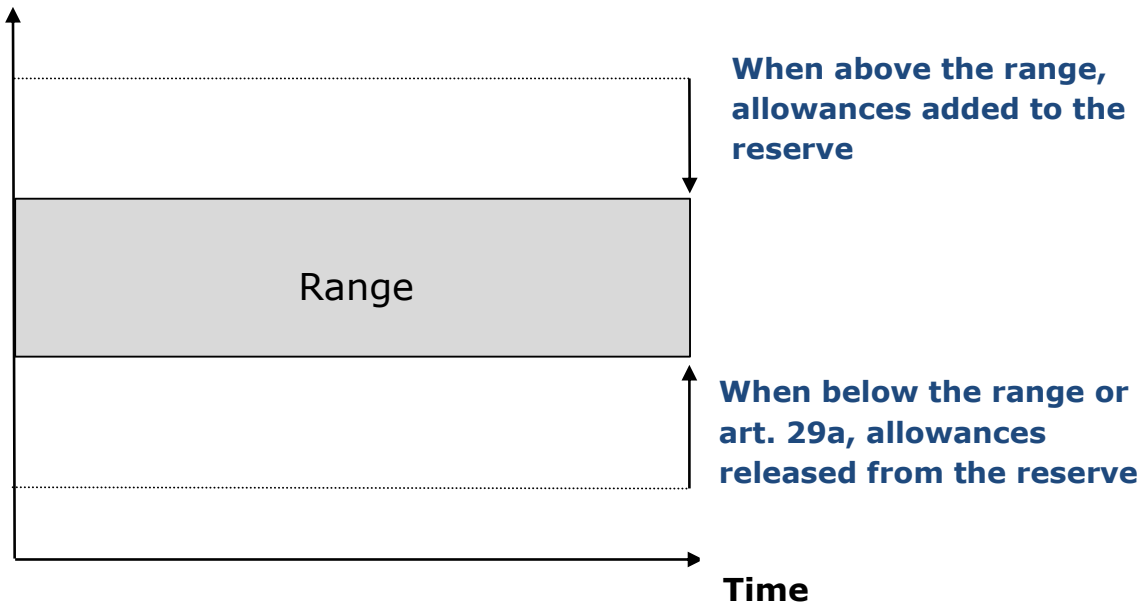
Blue columns are based on actual figures

Climate
Action

Green columns are based on estimates

Market stability reserve: Operation

Allowances in
circulation
[mio]



Annual publication of total number of allowances in circulation – starting May 2017

Market stability reserve: Architecture

- Introduction at the start of phase 4 of the EU ETS in 2021
 - To provide regulatory certainty during phase 3 and give market participants lead-time before the rule changes applies
- The reserve is rule-based – no leeway for discretion in implementation
- No need for new institutions or new data – fully embedded in existing framework
- Captures all changes in demand, including due to interaction with complementary policies
- Due to its automatic nature early review of key parameters in 2026
- At the end of each trading period, allowances held in the reserve are carried forward
- Does not affect free allocation to industry

Expert meeting on technical aspects

- Took place on 25 June 2014
- Purpose: to present third party expert analyses on the design and expected impact of the market stability reserve in order to inform discussions at this European Parliament and Council.
- Notes:
 - Views of the market experts (not necessarily those of the Commission or all stakeholders).
 - Views not necessarily fully consensual.
- **Main outcomes:**
 - Market stability reserve step in the right direction
 - Expected to support future carbon price signal, with less volatility
 - Simple and clear rules are needed for governance (non-discretionary)
 - Broad support for "total number of allowances in circulation" as a basis
 - Agree hedging needs will decrease in future
 - Support for earlier implementation and/or placing 900 million back-loaded allowances straight into reserve

Other ETS related elements of the 2030 framework: Linear reduction factor determining the cap

Current linear
reduction factor
of 1.74%



Proposed 40%
greenhouse gas
emissions
reduction target

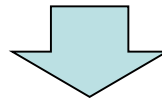


**Linear
reduction
factor of 2.2%**

- Not part of the legal proposal for the reserve
- Insufficient to reduce the imbalance in the mid-term

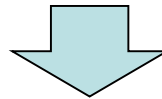
Other ETS related elements of 2030 framework: Containing the risk of carbon leakage

Stable framework for this decade



**Carbon leakage list (for 2015 to 2019) with the current
criteria and assumptions**

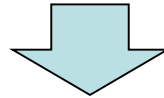
Continued but more focused free allocation after 2020,
complemented with innovation support



**Consultation on how best to take into account the
competitiveness concerns of industry**

Next steps

- Most important is to have a decision as early as possible on the reserve;
- Reserve is a "no regret" measure independently of how the 2030 framework rules will look like;



- European Parliament:
 - 1st exchange of views in ENVI Committee in March
 - Mr Ivo Belet (EPP) appointed as the new rapporteur
 - Work said to continue in autumn
- Council: Environment Working Party on the subject taking place right now



Thank you

More information, including on the expert meeting:

ec.europa.eu/clima/policies/ets/reform/documentation_en.htm

For the EU ETS regulatory updates subscribe to:

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