

Introducing the EU Emissions Trading System (EU ETS)

Agnes Brandt

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What is...?

The EU Emissions Trading System (EU ETS)

- ✓ a tool to combat climate change and reduce greenhouse gas (GHG) emissions
- ✓ regulates about half of EU's CO₂ emissions
- ✓ the “polluter pays”
- ✓ the largest ‘cap-and-trade’ scheme in the world:
 - sets a limit (a ‘cap’) on the total volume of greenhouse gas (GHG) emissions that certain installations (e.g. industrial plants, power stations, aircraft operators) can emit



Who are...?

the sectors participating

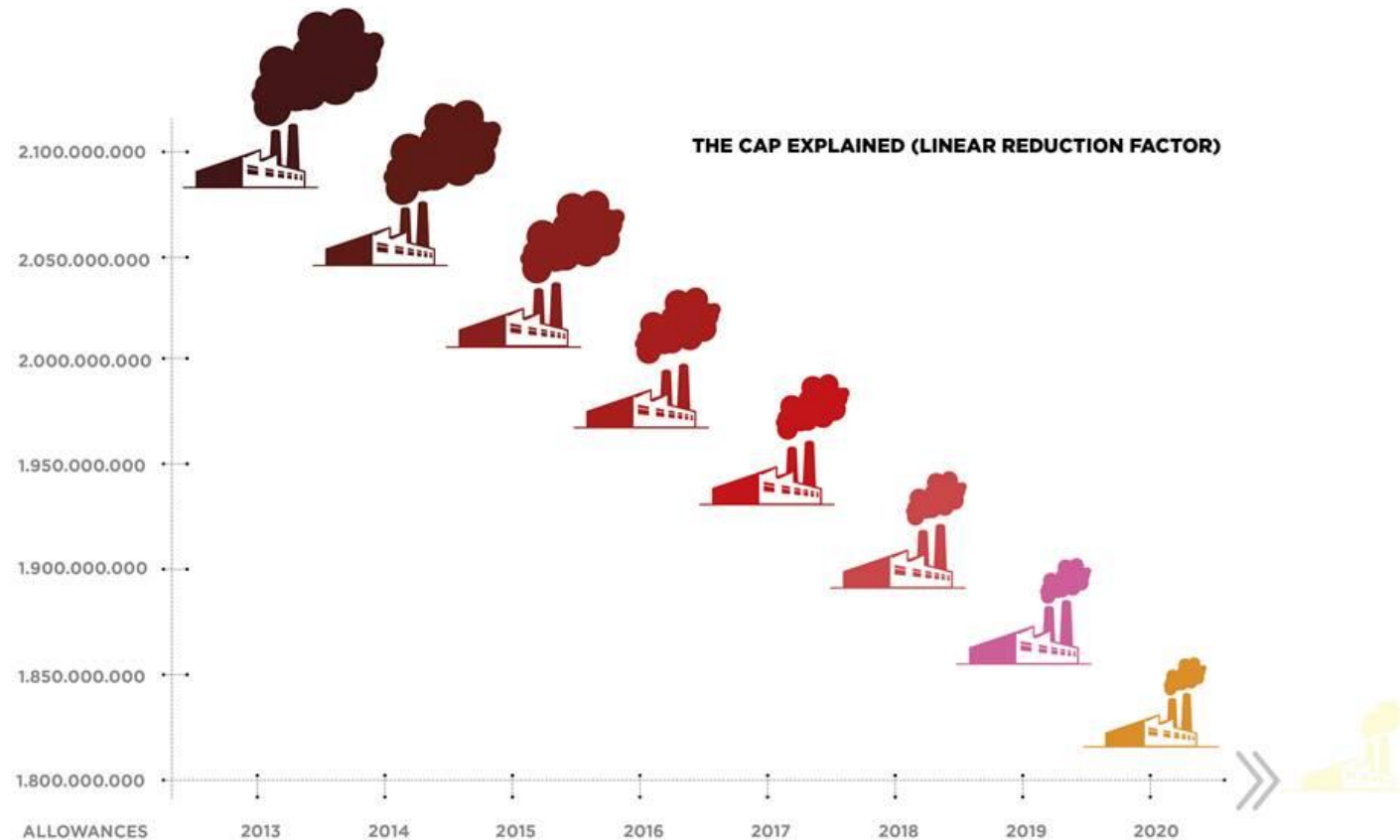
- ✓ more than 11,000 installation in 31 countries: the 28 EU Member States plus Iceland, Norway, Liechtenstein
- ✓ power stations
- ✓ industrial companies: steel, cement, refineries, chemicals, paper, aluminum, fertilizers, etc.
- ✓ aircraft operators

also see Sandbag's interactive ETS-Dashboard: [http://sandbag-climate.github.io/EU ETS Dashboard.html?goto=map](http://sandbag-climate.github.io/EU_ETSDashboard.html?goto=map)



How does it work...?

putting a limit ('cap') on emissions over time

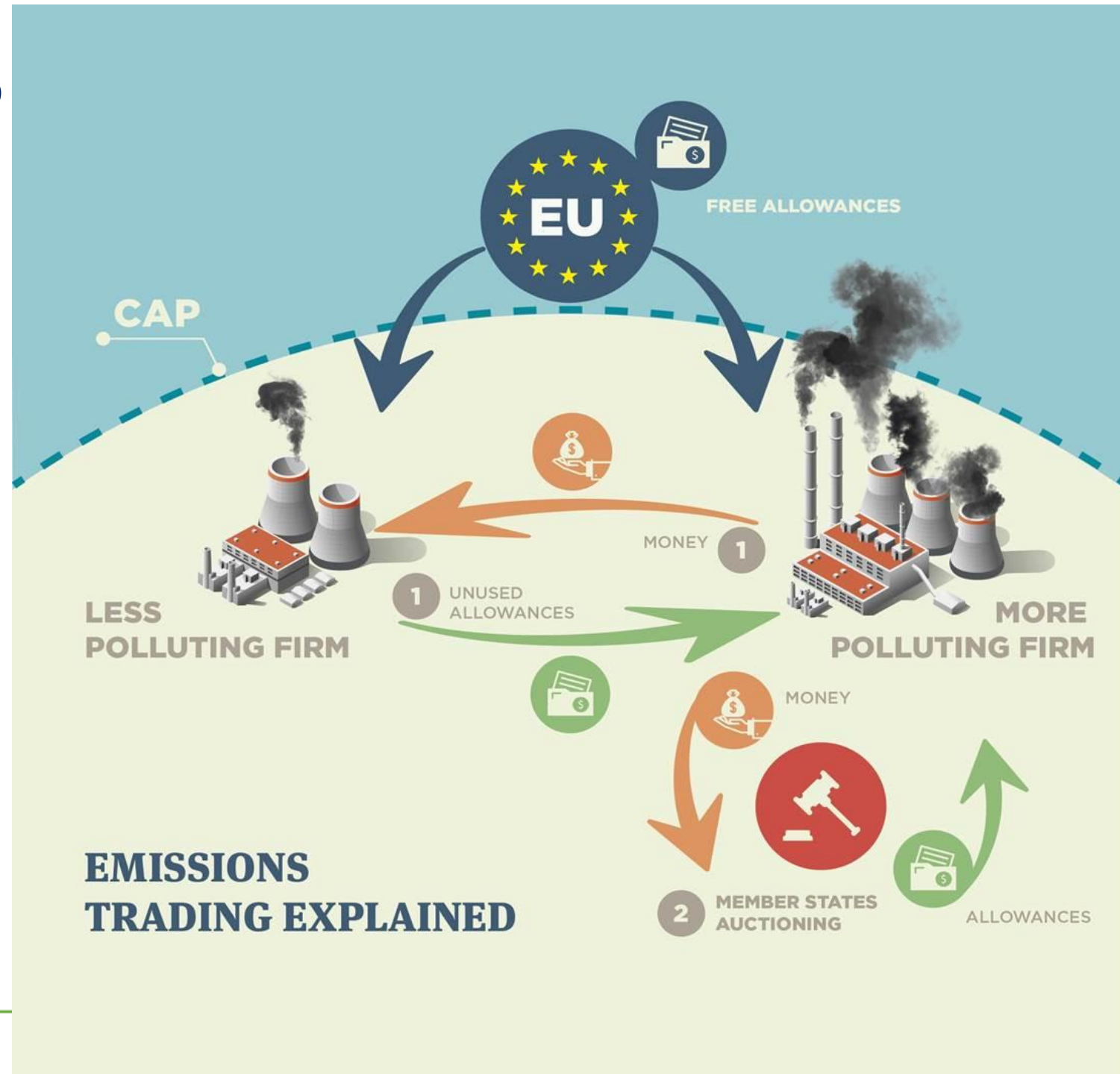


- 'cap': limit on total greenhouse gas (GHG) emissions
- EUAs: emission allowances ('pollution permits'), 1 EUA is worth 1t CO₂
- the cap is reduced over time (=linear reduction factor, LRF)
- the 'caps' for 2020 are set at 21% below 2005 emissions.

How does it work...?

trading emissions

- allocating EUAs ('pollution permits'): auctioning (default), free allocation
- installations can sell/buy EUAs within the overall cap
- goal: 100% auctioning to make the system fair, transparent and efficient
- **carbon price**: is set by the market (demand/supply)



How is it going?

looking back and into the future

Phase 1 (2005-2007): trial phase.

Phase 2 (2008-2012):

- allowances mainly distributed via free allocation (4% auctioned)
- no harmonized method of distributing free allowances to industry (up to each Member State)
- National caps set by each Member State, no reduction path

Phase 3 (2013-2020):

± half of total allowances are auctioned

- free allowances are distributed via harmonized benchmarks
- EU-wide cap that declines each year by 1.74% (38 Mton CO₂)

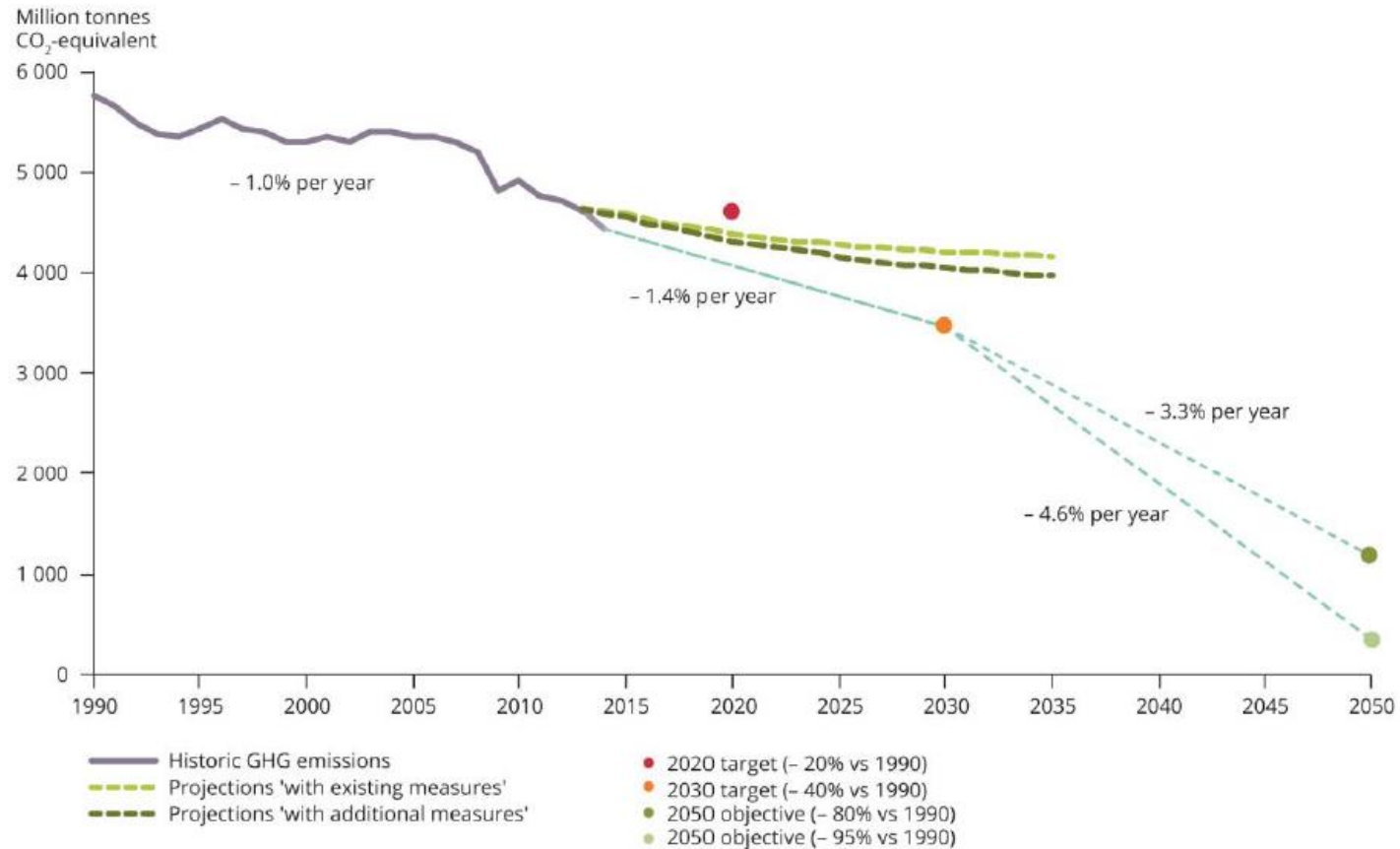
Phase 4 (2021-2030): *negotiations ongoing...*

- ± half of total allowances to be auctioned (57%)
- free allowances are distributed via harmonized benchmarks
- EU-wide cap that declines each year by 2.2% (48 Mton CO₂)



How is it going?

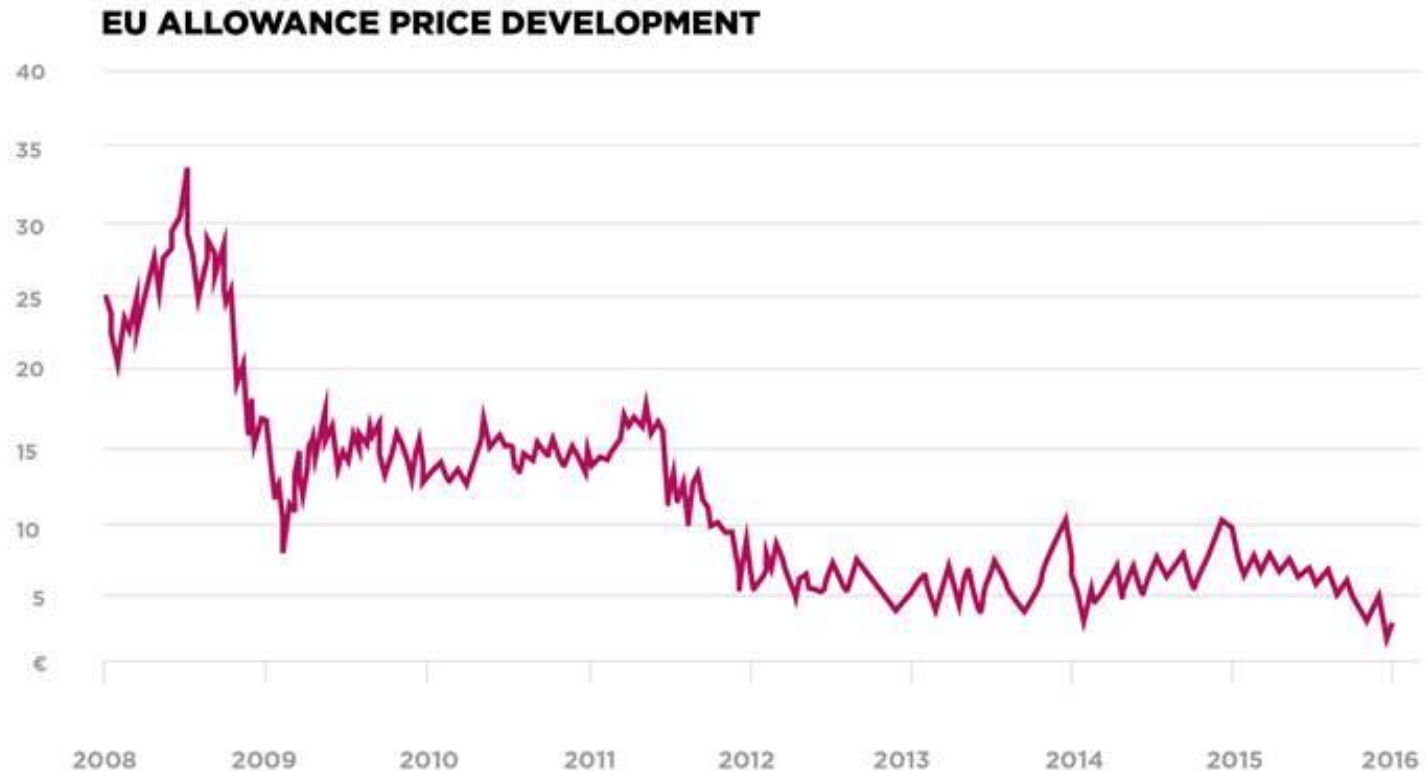
EU greenhouse gas emission trends, projections and reduction targets



<http://www.eea.europa.eu/publications/trends-and-projections-in-europe-2015>

How is it going?

the trouble with the carbon price



15/11/16



THE ETS HURDLES

HMMM... THERE'S SOMETHING WRONG WITH THIS RACE

COAL SUBSIDIES

FREE ALLOCATION

INNOVATION

BIG POLLUTER & COAL

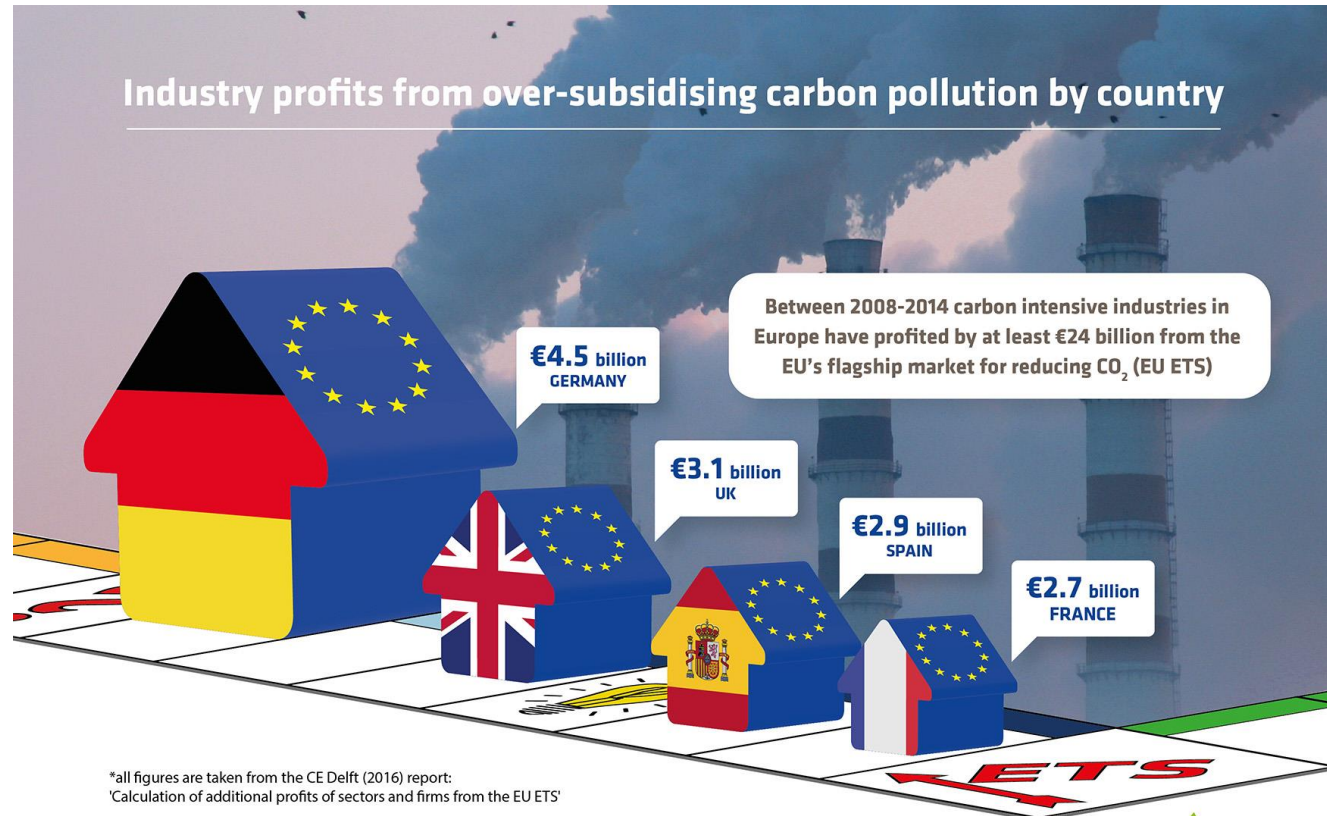
RENEWABLES

LOW CARBON PRICE

OVERSUPPLY

CARBON MARKET WATCH

How is it going? polluters make profits while claiming otherwise



CLAIM

Quote by ArcelorMittal:
"EU energy and climate
policy is punishing
the steel sector..."*



Stop subsidising pollution
Phase-out free ETS allowances



*FT (20/01/2014), "Rewrite energy policy and re-industrialise Europe"
** ArcelorMittal's Annual Reports 2010-2014, gains from selling excess carbon permits

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Who is paying?

European taxpayers



58,338 signatures so far...

<https://act.wemove.eu/campaigns/ETS>

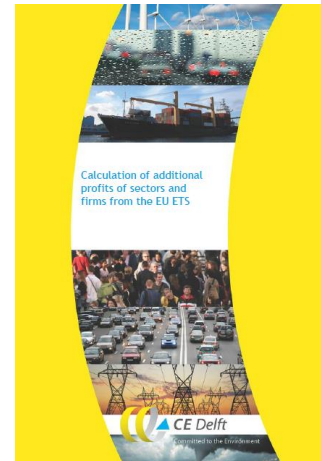
Read more:

Carbon leakage factsheets:

- [Germany](#)
- [France](#)
- [The UK](#)
- [The Netherlands](#)
- [Sweden](#)

www.carbonmarketwatch.org

CE Delft study [here](#)



Innovation Report “The Final Frontier” [here](#)



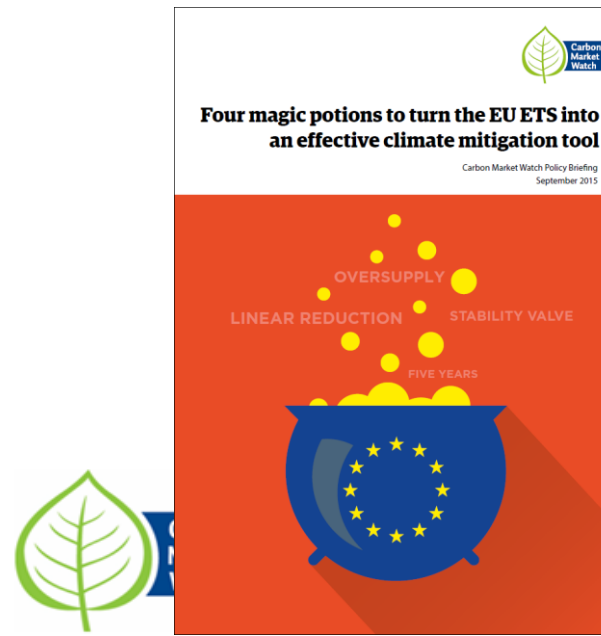
On industry windfall profits [here](#)



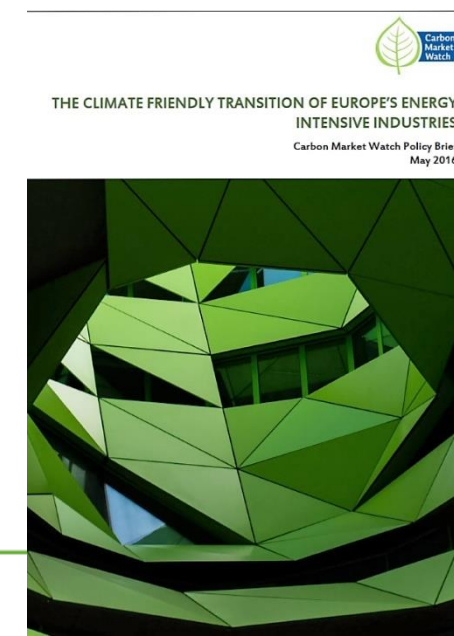
On our carbon leakage recommendations [here](#)



On increasing the environmental integrity of the EU ETS [here](#)



On the low-carbon transition of energy intensive industries [here](#)



Thank you!



agnes.brandt@carbonmarketwatch.org
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