



Benefits of Emission Trading

- Emissions trading achieves the environmental objective – reduced emissions – at the lowest cost (0.01% GDP).
- 2005-2009 ETS responsible for 480m tons of CO2 reduction! = entire CO2 emission of Mexico ad Australia.
- Emissions trading is better able to respond to economic fluctuations than other policy tools.

Event Report

Vrije Universiteit Brussel, 28 March 2017

Student Debate: The Carbon Battle

Together with the Institute for European Studies at the Vrije Universiteit Brussel, Carbon Market Watch organised an academic debate on European Climate Policy where four teams of students from Masters course on Climate and Energy Governance in the European Union debated the following two propositions:

- Proposition A: “An emissions trading system (ETS) is an effective instrument to reduce emissions and meet climate goals.
- Proposition B: “A high degree of flexibility to meet the targets is instrumental for cost-effective and ambitious climate action”.

An expert panel provided comments and assessed the performance of the teams. At the end, the audience was given the task to choose the most compelling case.

Panel members:

- **Mr Jakob Dalunde**, Member of European Parliament
- **Mr Christian Holzleitner**, Policy Advisor, DG Climate Action, European Commission
- **Mr Marco Mensink**, Director General, The European Chemical Industry Council (CEFIC)
- **Ms Femke de Jong**, EU Policy Director, Carbon Market Watch
- **Mr Tomas Wyns**, Researcher, IES-VUB (moderator)

Below is a short summary of the debate

On the day that the US president Trump announced a massive roll-back of American climate policies, the expert panelists were still confident that Europe would continue to lead on global climate action, together with China. “*With the Paris Agreement, there is a paradigm shift. The rest of the world will continue to pursue de-carbonisation at full speed*”, said **MEP Dalunde**, but warned that we are creating

a false sense of comfort with our leaders having signed the Paris Agreement and saying that we will deliver on it. The sense of urgency -desperately needed by now- is missing from the debate.

Ms de Jong agreed: *“We can fight climate change and remain -or even become more- competitive, Sweden is a good example of that. With decarbonisation, we will create more and better jobs - our generation doesn’t want to work in coal mines! At the same time, we have to look after those who are adversely affected on the short term, the transition must be fair.”*

➤ **Proposition A: “An emissions trading system (ETS) is an effective instrument to reduce emissions and meet climate goals.”**

Proponents of the EU Emissions Trading System delivered a solid presentation with detailed data to back up their main argument: while not perfect, the EU ETS was clearly delivering. The team showed how the emissions have gone down and price of carbon has remained stable resulting in investment confidence. *“The ETS cannot solve everything but it contributes to the solution,”* the team concluded.

MEP Dalunde commented that a lot of money was spent on administration on the EU ETS, and therefore a carbon tax would be a better solution. He added that the economic crisis was a more likely reason for the emissions reductions than the ETS.

Mr Holzleitner pointed out that the money is used on the implementation of the ETS which brings results. *“The price is very low in comparison to the benefits of the system”*.



Agreeing with arguments put forward by the students, **Mr Mensik** added that the biggest achievement of the EU ETS is its psychological impact – every CEO is now talking about the price of CO2.

Ms de Jong pointed out that the EU ETS has had issues since the very beginning. *“How long do we have to wait until it starts to work?”* she asked.

Opponents of the EU ETS argued that decrease in emissions was actually linked to economic recession, not the ETS. *“Too low ambition resulting in low carbon price, and over generous free allocation that has led to windfall profits for the big polluters mean that companies have no incentives to strive for decarbonisation.”*

Supporting the presented arguments, **Ms de Jong** asked if the team thought a carbon tax would be a better tool to reduce emissions.

“What is the right price?”, asked **Mr Mensik**. Chemical industry is the second biggest emitter in Europe and the windfall profit claims are nothing new. Politicians set the cap and the price is the result of that. It is not the industry’s fault if the price is too low. ETS is meant to deliver the reductions at the lowest cost. *“If we make the cap – with low price, the system delivers.”*

MEP Dalunde reminded that it is easy to criticise the system but more difficult to name alternatives.

“The problem is not the ETS itself but the weak political goals that were set.”

In their closing arguments proponents showed detailed data on research about the ETS in China. *“Such interest is clearly a sign of the system’s effectiveness.”* The opposing team rebutted this saying that it could be a sign of the opposite! Addressing the question on carbon tax, the opponents noted that tax would not solve the problems. *“The underlying issue is lack of ambition which would likely result in a very low tax and sectors being exempted from it.”*

➤ **Proposition B: “A high degree of flexibility to meet the targets is instrumental for cost-effective and ambitious climate action”**

Debating the EU’s largest climate legislation, the Effort Sharing Regulation, teams had the task to defend or turn down the various flexibilities that are meant to make emissions reductions more cost-efficient.

The supporters’ main argument was that climate action was such a complex issue that a high degree of flexibility was key to achieving any targets.

“Flexibility is such a positive word, who doesn’t want to be flexible?” asked **MEP Dalunde**. According to him, the problem with the flexibilities is that If we always go for the cheapest option in the short term, we put off difficult decisions for the future. Sometimes it’s better to start with the more difficult questions. Flexibility today will give us problems in the future.



Mr Mansik disagreed: *“The more room you have the more you can move. In a group of 28 countries that vastly differ from each other, flexibility is needed to reach a political deal.”*

“Political deal, yes, but at what price?” asked **Ms de Jong**, arguing that countries want to delay action by using flexibilities.

Opponents of flexibilities argued that the overall target of the Effort Sharing Regulation is too weak to deliver on Paris Agreement, and the flexibilities -or loopholes- can lead to even less actual emissions reductions than agreed.

Disagreeing with the terminology, **Mr Mensik** pointed out that flexibilities should not be mixed with loopholes or targets. *“Ireland has a lot of burping cows that produce a lot of CO2. You want the steak, Ireland wants to keep the cows and plant trees to compensate for this. There is nothing wrong with this. Quite the contrary, planting trees is the best way to reduce carbon.”*

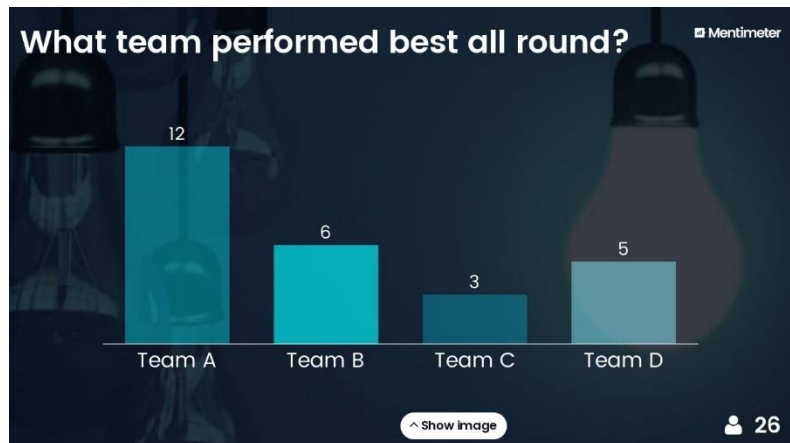
Mr Dalunde was not convinced: *“Imagine a garden and an apple tree. Apples are your emissions and you need to pick them all to achieve your target. At first, it’s easy but you can’t reach to the ones that are hanging higher. You need to either learn to climb a tree or get a ladder to reach them. Going to another tree instead only postpones dealing with the problem. Flexibility on short term is good. But for the long term it’s better to get that ladder now.”*

In their closing arguments **supporters of flexibility** underlined that flexibility is also a matter of

solidarity between poorer and wealthier countries. *“Flexibility will allow Europe to act as a global climate leader.”*

Opponents stood by their argument that the target is already weak and weakened further by loopholes and bad starting point. Flexibilities and loopholes are two sides of the same coin. It depends on how they are used. *“We shouldn’t postpone action.”*

Both the audience and experts on the panel were impressed by how well students had prepared for the debate, putting forward very convincing arguments.



After a tight vote, the team defending Europe’s carbon market was voted as having delivered the most convincing performance.

Resources:

European climate policy guides: [Vol 1 – EU ETS](#), [Vol II – EU Effort Sharing Regulation Policy Brief and infographic](#); EU Climate Leader Board – Where countries stand on the Effort Sharing Regulation

Contact:

Andrew Coiley Communications Director, Carbon Market Watch
andrew.coiley@carbonmarketwatch.org