



# The role of the EU ETS in industrial decarbonisation

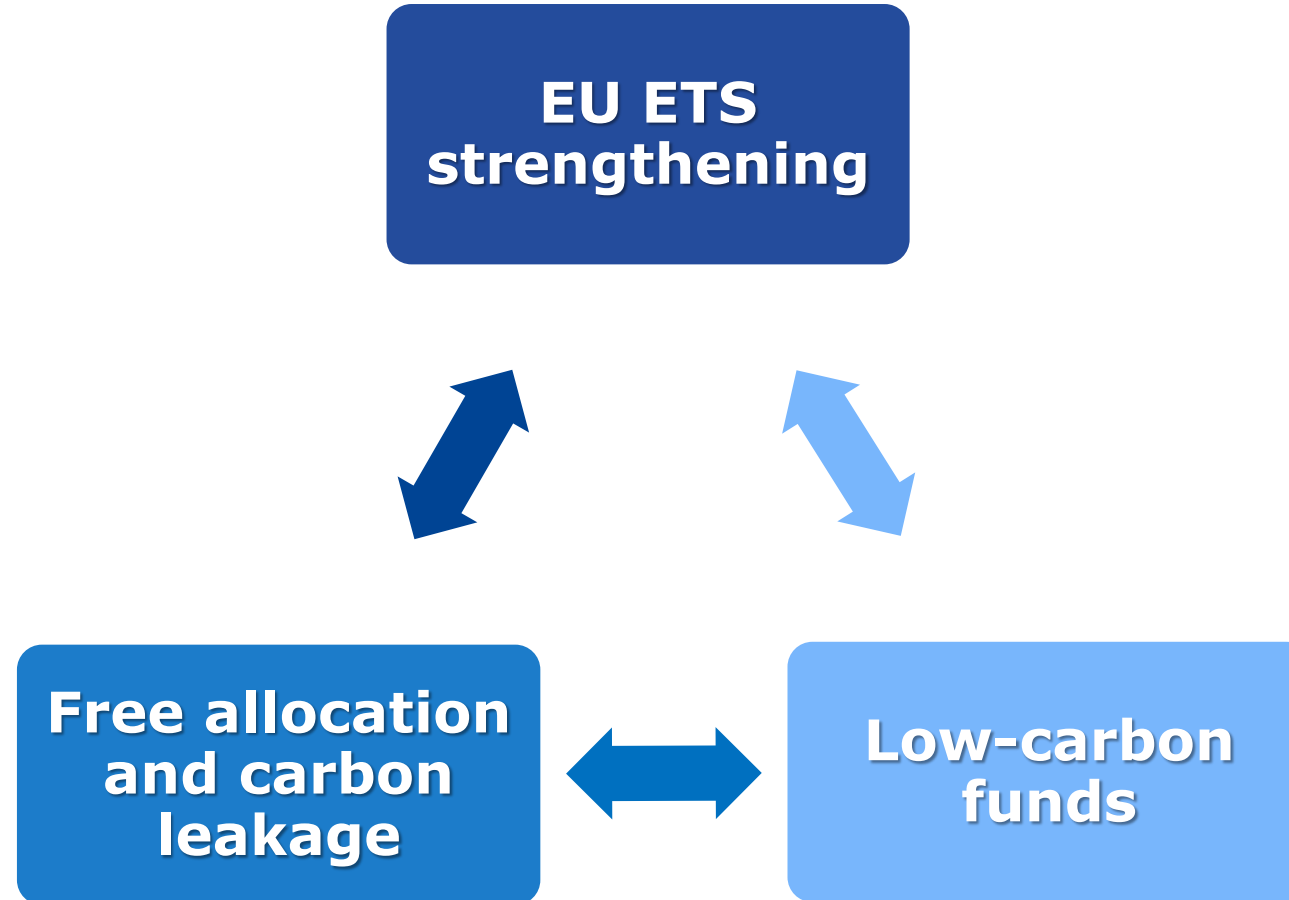
9 June 2020

*Beatriz Yordi*

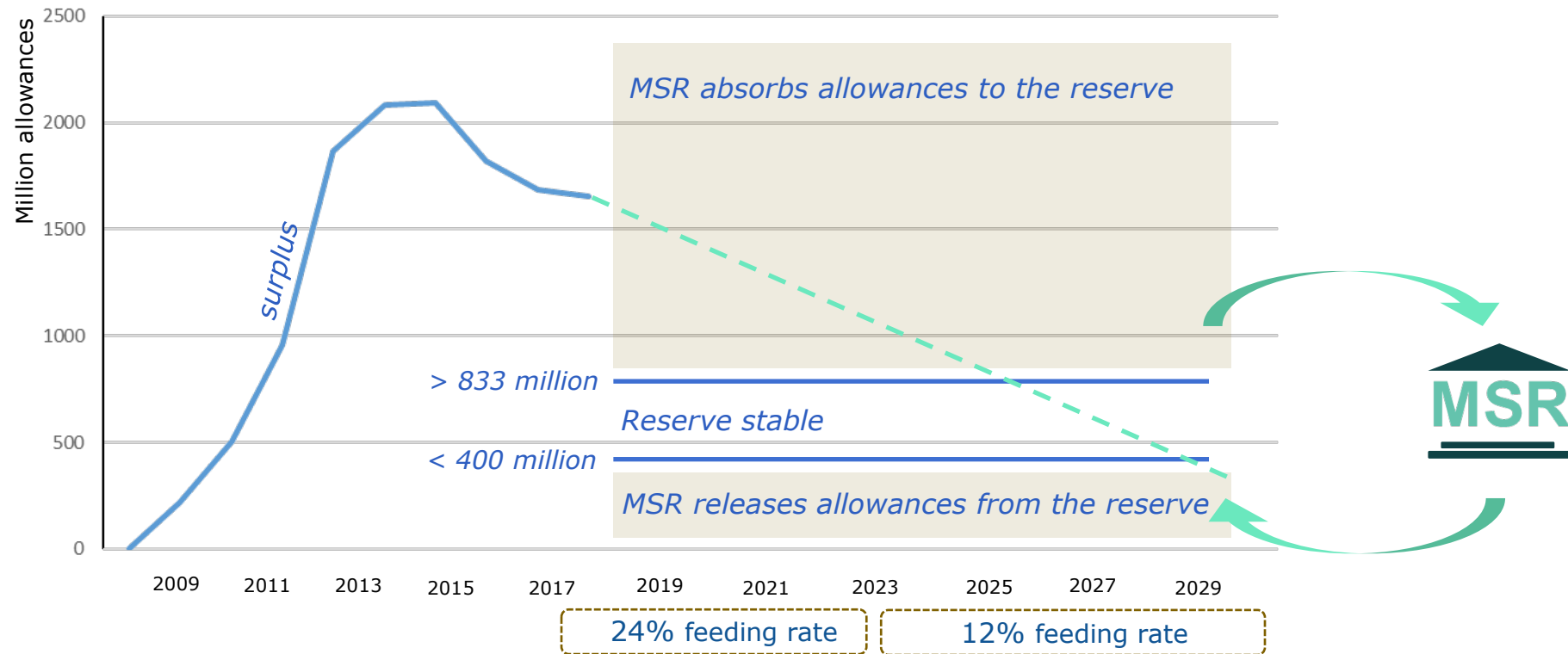
*DG CLIMA*

*Director European & International Carbon Markets*

# Revision of the EU ETS in 2018



# Market Stability Reserve (MSR)



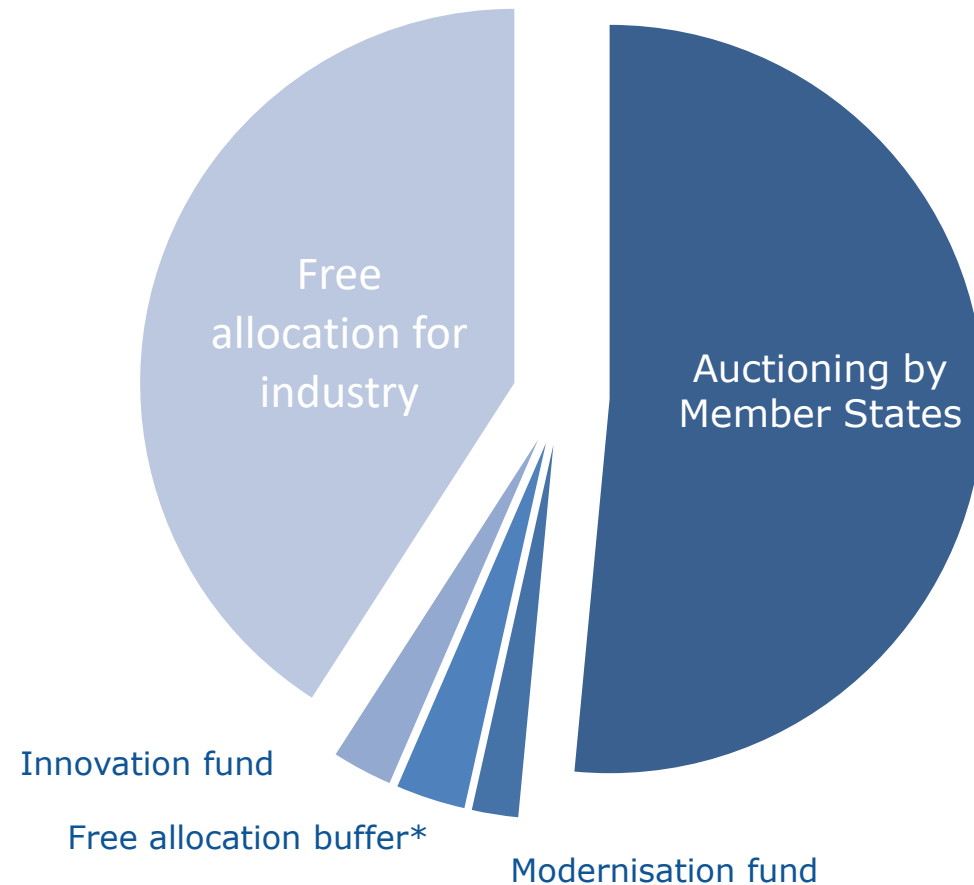
# Carbon price signal strengthening since late 2018



Source: ICE

# Structure of the EU ETS in 2021-30 (phase 4)

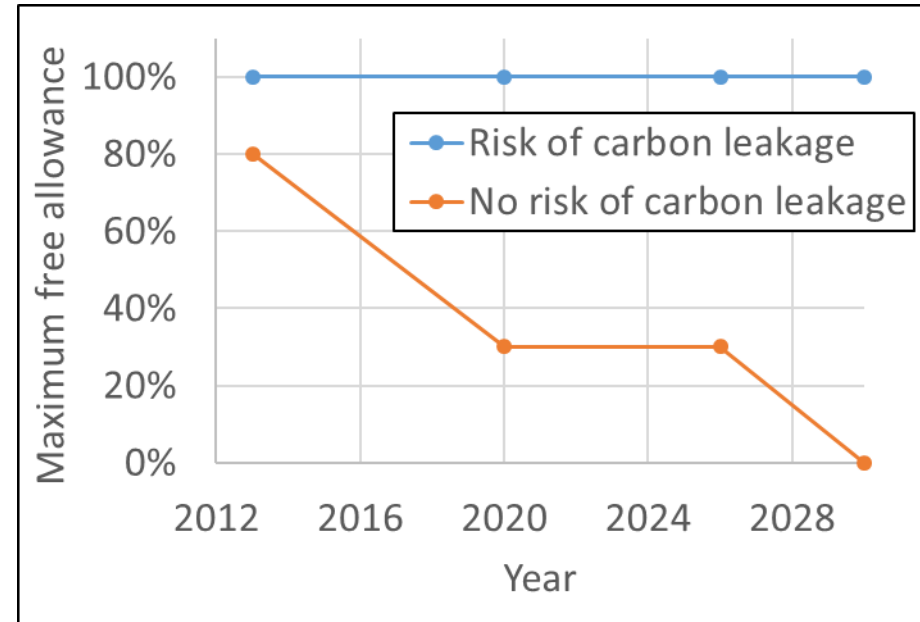
15.5 billion allowances, worth €373 billion at a price of ~25 €



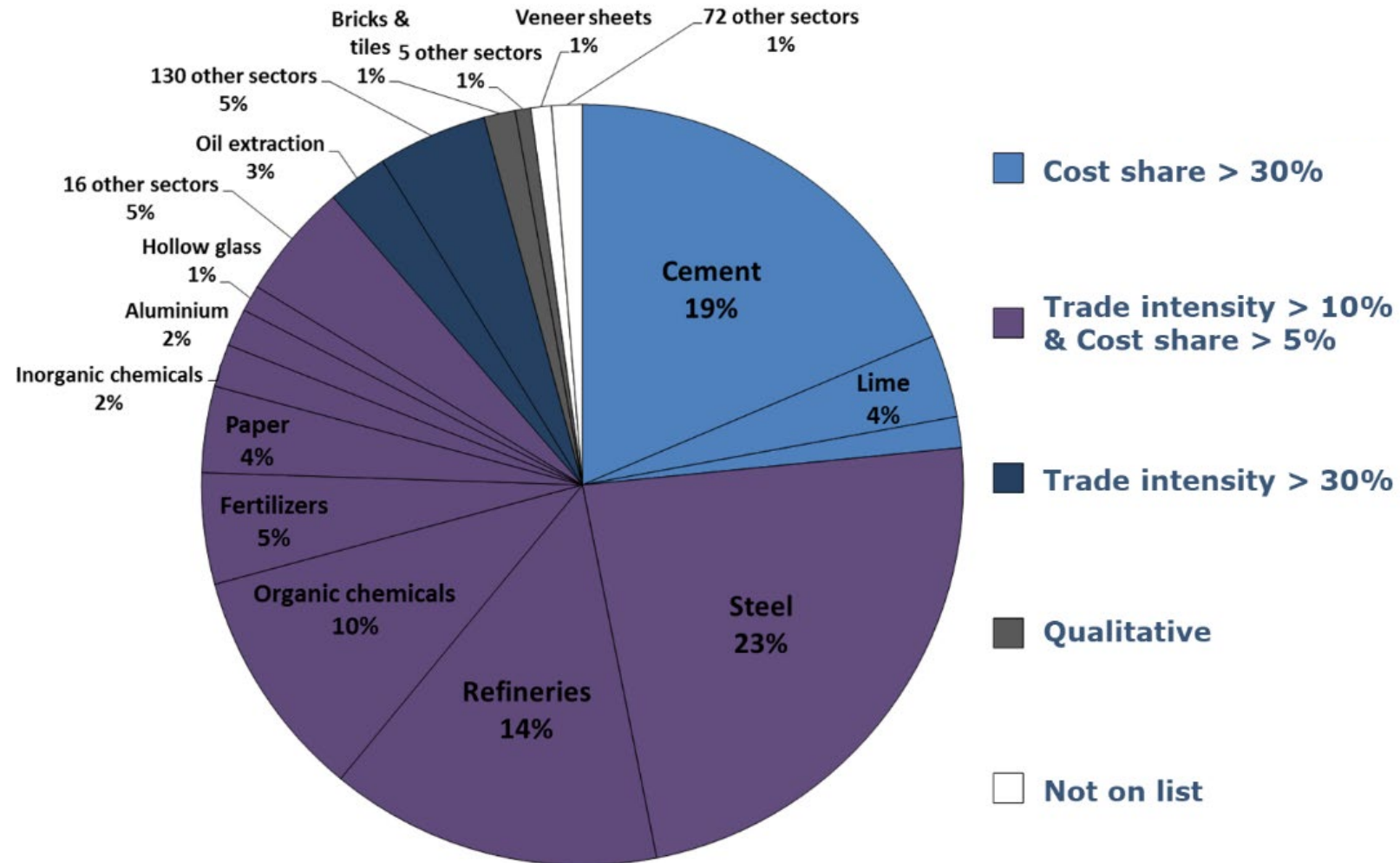
\* Allowances dedicated for auctioning that may be converted

# Free allocation in phase 3 and 4

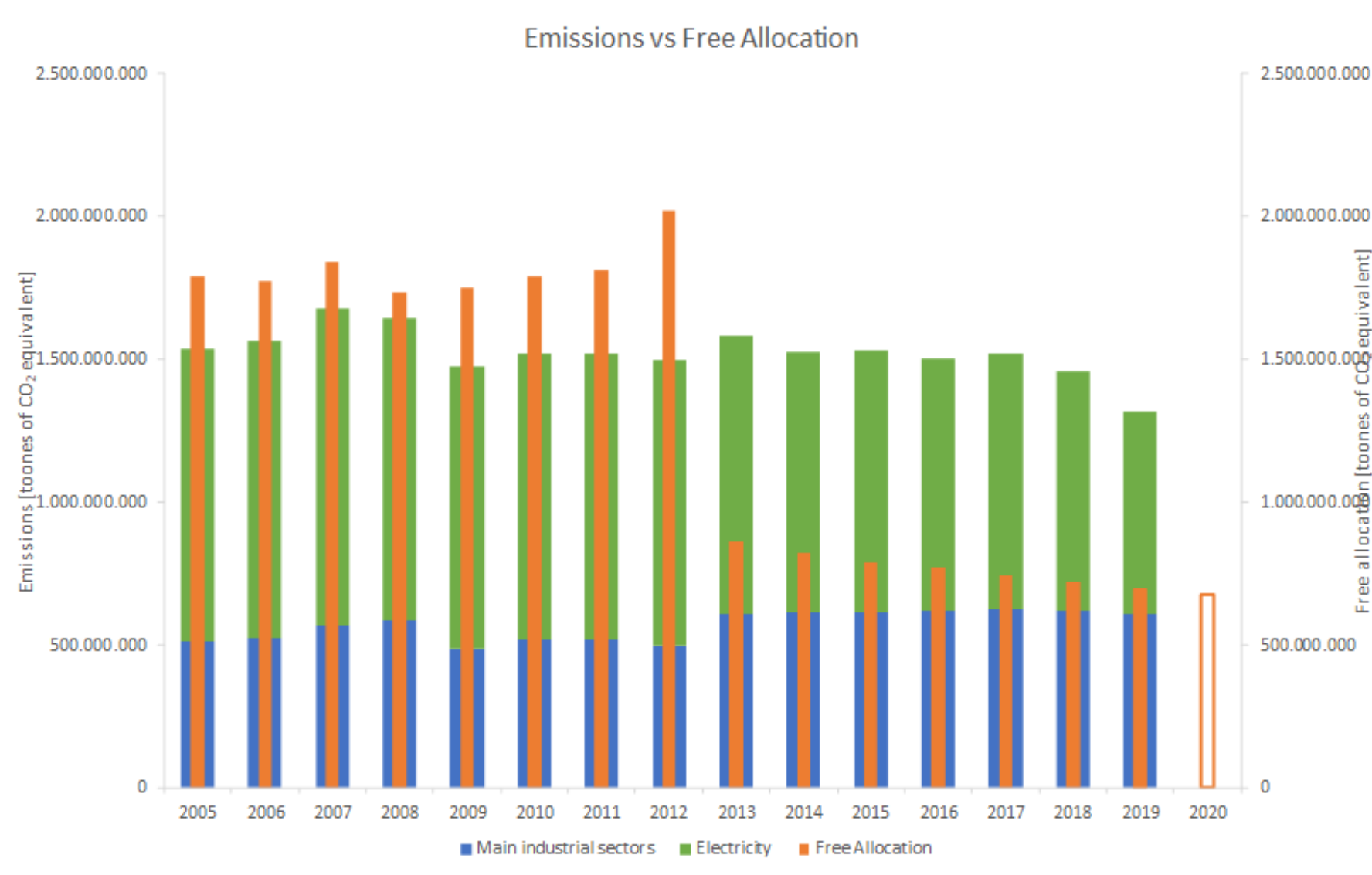
- Since 2013, free allocation takes into account the performance of the best installations in Europe (benchmarks).
- Installations may receive free allowances up to the level of the best performers. The maximum amount also depends on if the sector is at risk of carbon leakage.
- For less exposed sectors, free allocation is foreseen to be phased out by 2030.
- The list of sectors deemed to be at the risk of carbon leakage for the period 2021-2030 was **updated in 2019**.



# Shares of free allocation based on the carbon leakage list for 2015 - 2020

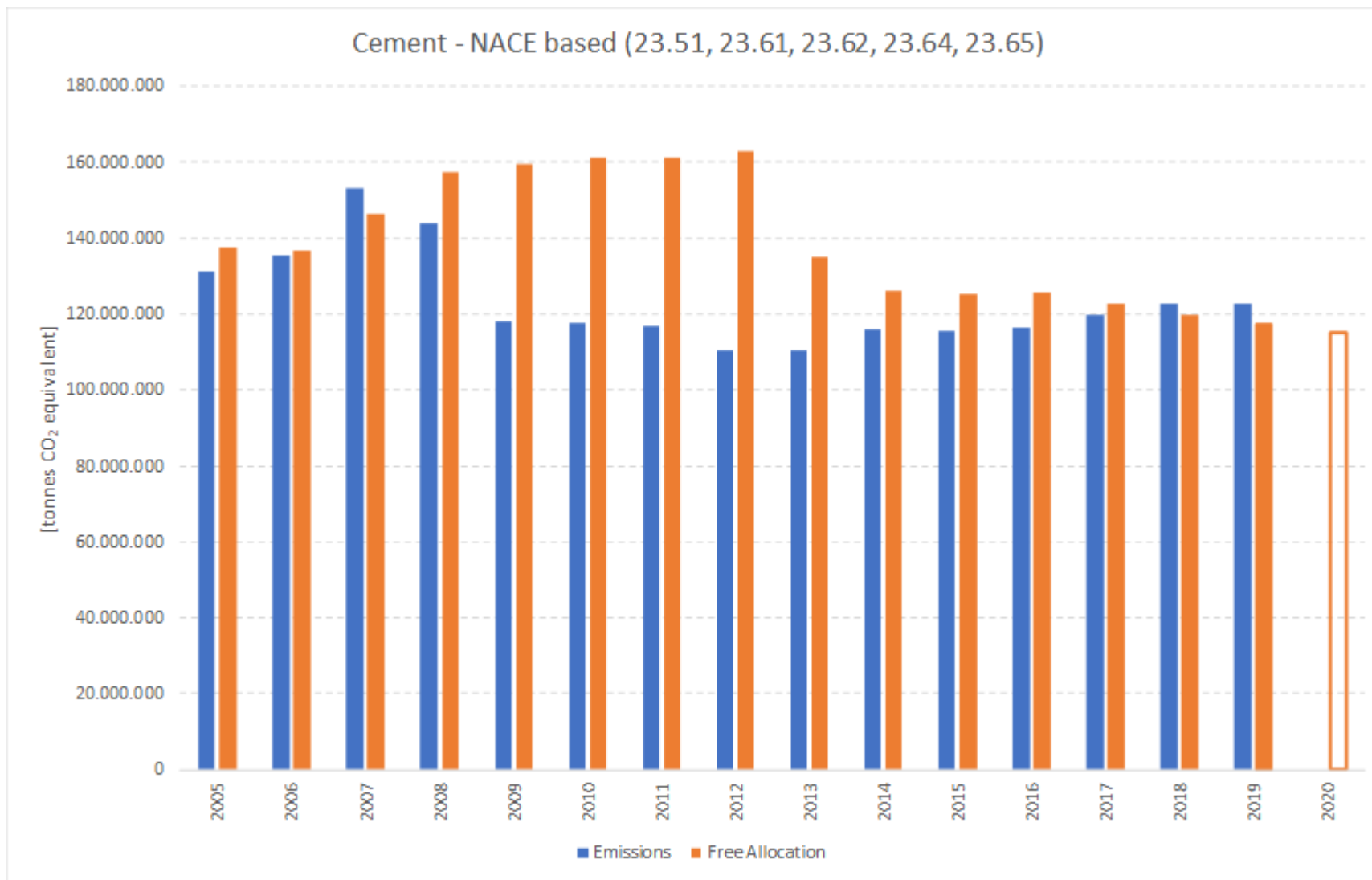


# Reduction in free allocation





# Free allocation in the cement sector



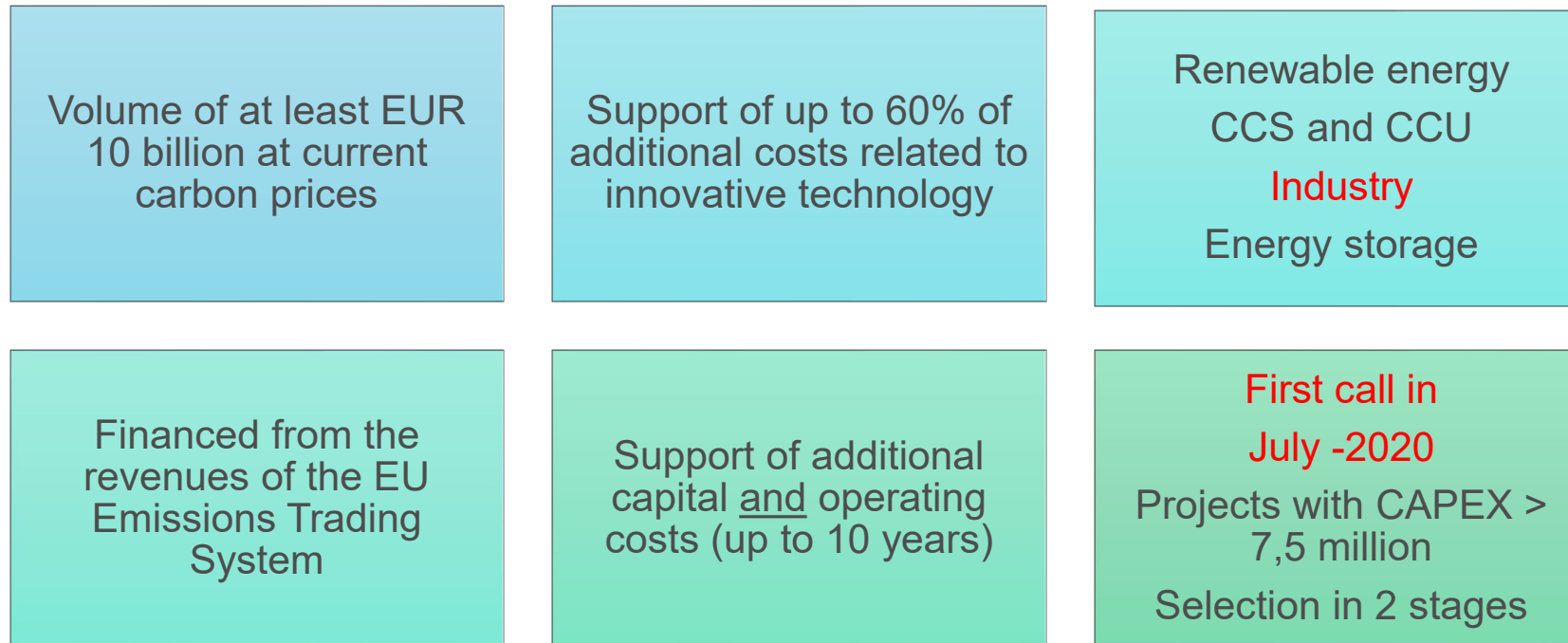
# Benchmarks and production level changes

- Product benchmarks determine the level of free allocation of each installation.
- They are based on the average greenhouse gas emissions of the **best performing 10% of the installations** producing that product.
- The 54 existent benchmark values will be **updated twice in phase 4** to avoid windfall profits and reflect technological progress since 2008.
- Allocation to individual installations may be **adjusted annually** to reflect relevant increases and decreases in production level.
- The threshold for adjustments was set at **15%** and will be assessed on the basis of a rolling average of two years.

# Benchmark update and next steps

- The Commission is assessing the data submitted by Member States to calculate the updated values for the 54 benchmarks throughout 2020.
- Acts to be adopted to finalise the implementation for the phase 4 of the EU ETS:
  - Decision on determination of the list of installations included in the national implementation measures (NIMs) that will be used to determine benchmark values.
  - Implementing act updating the benchmark values.
  - Decision on cross-sectoral correction factor (CSCF), if relevant.
  - Decision on the free allocation for each installation for the period 2021-2025.

# Key features of the Innovation Fund



**Driving low-carbon technologies to the market**

# Selection process

Basics

Greenhouse gas  
emissions avoidance

Degree of innovation

Project maturity

Scalability

Cost efficiency

2-stage selection, provision of Project Development Assistance

# Expected timeline



# European Green Deal

- Addressing climate change is one of the key priorities of this Commission. Climate action at EU level reinforced under the European Green Deal.
- Effective carbon pricing is an important element of delivering climate neutrality. A well-functioning EU ETS is central to doing so effectively.
- The EU's 2030 climate target of at least -40% GHG emission reductions will be increased to put us on the path to climate-neutrality by 2050.
- Review and revision where needed of all relevant legislative measures to deliver on the increased ambition by **June 2021**, including the EU ETS.
- Any aspects of the EU ETS referenced in the European Green Deal will be carefully considered and studied in detail before any proposals are put forward.

# Keep in touch



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# Thank you



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