Media statement:

EU leaders broker climate deal at expense of climate integrity and tax payers

24 October 2014, Brussels. Today's decision on a 40% greenhouse gas reduction target by 2030 is contaminated by excess emission allowances from the current system that will water down the real-world reduction to 31%. EU leaders agreed on new trading options that avoid necessary mitigation measures in important sectors such as transport and buildings. At the same time they agreed on subsidies to manufacturing industries in the form of free pollution permits that could reach up to €300 billion between 2021-2030.

At today's meeting, EU's Heads of State settled on new headline targets: an EU-binding renewable energy target of at least 27%, an indicative energy efficiency target of at least 27% and an at least 40% binding domestic greenhouse gas reduction target by 2030.

EU leaders decided that the EU's Emission Trading System (EU ETS) with a market stability reserve "will be the main European instrument" to achieve the 40% climate target, but failed to call for permanent removal of the more than 2.6 billion excess emission permits by 2020.

Femke de Jong, Policy Officer at Carbon Market Watch commented *"By allowing to trade phantom pollution permits for real emission reductions, EU's leaders are allowing its hot air to weaken EU's 2030 climate target, effectively only agreeing on a 31% target".*

Contrary to the existing 2020 climate target, the new 2030 climate target does not allow for the use of international carbon offsets from reductions in developing countries. To compensate for the lack of international flexibilities, EU's leaders settled on a number of intra-EU trading options: 1) trade emission allowances between EU Member States in sectors not covered by the EU ETS, such as transport, buildings, agriculture and waste, so called domestic offsetting; 2) offset emission reductions in non-ETS sectors with EU ETS allowances.

"While domestic offsetting can be a good tool to drive emission reductions in poorer EU countries, allowing ETS allowances to count for non-ETS sector reductions is counterproductive. It reduces demand for intra-EU offsets and wastes scarce public resources to purchase hot-air emissions from companies." de Jong added.

EU leaders also agreed to continue handing out polluting permits for free to industry and left open whether the total amount of free allowances available will be capped in the future. With an average carbon price of €30 and an estimated amount of 6.3-10.3 billion allowances that will be freely allocated between 2021-2030, this could amount to a subsidy of €190-€300 billion.

Femke de Jong commented *"Today's decision has little to do with ensuring a cleaner and sustainable future for European citizens. It's another paycheck from European taxpayers to cover for industry's pollution. Meanwhile frontrunners are left practically empty-handed."*

EU leaders kept doors open to increase the EU's pledge after the climate summit in Paris next year where a future international climate treaty to replace the Kyoto Protocol is expected.

Eva Filzmoser, Carbon Market Watch Director commented "The EU's international leadership role will depend on meaningful steps to increase ambition <u>ahead</u> of the Paris climate summit next year, including further legislative proposals to end loopholes and unnecessary subsidies in Europe's post-2020 climate and energy policies"

ENDS.

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Information for journalists:

- Link to Council decision
- The €190-€300 billion subsidy to industry has been calculated on the basis of an average carbon price of €30/tonne CO2-eq and a total of allocation of 6.3-10.3 billion free allowances during 2021-2030 (depending on whether or not the correction factor will remain in place). Around 6.3 billion allowances will be freely allocated between 2021-2030 if the current situation continues, e.g. when extrapolating the cross-sectoral correction factors up to 2020 into the future. The EU leaders decided that free allocation should in the future also cover indirect costs, while leaving it open if the correction factor should remain in place. Ecofys (2014) has showed that if the correction factor is removed and industry is also compensated for indirect costs, during 2021-2030 industry will receive 4 billion free allowances more than under the current carbon leakage rules.
- 2030 loopholes infographic, October 2014
- Information about carbon leakage, September 2014
- Rebuttal of proposal on "dynamic allocation" to address carbon leakage, September 2014
- Policy brief on the EU carbon market's reform proposal, July 2014
- Policy brief on non-ETS emission reductions, May 2014
- For more information on EU climate policy, see: http://carbonmarketwatch.org/category/eu-climate-policy/

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