EU ETS future

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1. **Predictability / Security**
   - The EU ETS as system for allocating emissions rights to involved sectors have to be much more predictable to ensure investments in CO₂ emissions reductions. Arbitrary decisions for changes of allocations, caps, benchmarks etc. should be prohibited or at least limited to an absolute minimum.
   - CO₂ emissions reductions are only to be achieved in sectors with overcapacity when rationalization of industry resulting in more CO₂ efficient plants are rewarded, and certainly not penalized (as it is now).

2. **Vulnerability to non /less carbon constrained imports**
   - Essential for fighting global climate change is that CO₂ measures are implemented where these have the highest cost effectiveness in Europe or else.
   - Level playing field for energy intensive industry is essential.
   - The present carbon leakage protection method in the EU ETS by decreasing free allocation does not protect loss of production against less carbon constrained imports.
3. **Equal treatment for all sectors**
   - A ton of CO₂ coming from cement production in a Northern European country does not have a single different effect on global climate change then a ton of CO₂ emitted by a waste incinerator in a Southern European country.
   - Differences in the EU and on national levels in attitude to sectors in legislation and subsidies/support should be minimized.

4. **Jobs**
   - The EU ETS should incentivize investments in Europe and stimulate innovations and R&D
   - Implementation of clean technology in Europe to be stimulated
What do we need?

1. **Stronger EU industrial policy to keep industries**
   - (Heavy) industries represent a fundamental part of our economy
   - Financial crisis as clear indication that the future economy can not be based on services only

2. **Support to innovation is required**
   - **Key** Transition towards a low carbon economy.
     = Industrial opportunity

3. **Inclusion new indicator in the climate and energy package "net job creation"**
   - The targets on renewable energy and CO₂ reduction to be combined with a target on "job creation".
Criteria for possible solutions

1. **One instrument, but a good one!**
   - Three (or four) targets on high level are OK
   - But..... implementation by **one instrument**: the EU ETS
   - Less freedom for EU Member States
     - Subsidies, taxes, etc.

2. **Global view / Global approach**
   - One ton of CO\(_2\) is Europe = One ton of CO\(_2\) in China
   - If not possible, fair restrictions / compensation in Europe

3. **Investments in CO\(_2\) emissions reductions must be beneficial**
   - Long term predictability needed
   - Focus on Europe

4. **Dynamic instrument to accommodate economic changes**
   - Not based on history, but dedicated to the future
What to do?

1. Not run for fast decisions
   - Economic growth is key …… not only for fighting climate change!
   - Global developments have been much slower than in the EU, but are coming (China, India, Brazil, etc.)

2. Reduce market distortions

3. Structural changes for phase 4 needed
## Timeline of changes in the EU ETS

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tbody>
<tr>
<td>2005</td>
<td>Start of Phase I</td>
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<tr>
<td>2005</td>
<td>Most NAPs approved</td>
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<tr>
<td>2006</td>
<td>Additional NAPs approved</td>
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<td>2006</td>
<td>New targets for NAPs phase 2</td>
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<td>2007</td>
<td>Verdict on German ex post adjustments</td>
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<td>2008</td>
<td>Most NAPs approved</td>
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<td>2009</td>
<td>Change on CDM / JI emission rights</td>
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<td>2009</td>
<td>CCS directive adopted</td>
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<td>2010</td>
<td>Benchmark decisions phase 3</td>
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<td>2011</td>
<td>Compensation for CO2 costs in electricity</td>
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<td>2011</td>
<td>NAPs 2 Poland and Estonia approved</td>
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<tr>
<td>2012</td>
<td>Backloading / Set aside discussion</td>
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<td>2013</td>
<td>Structural reforms</td>
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<td>2014</td>
<td>Re assessment carbon leakage</td>
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<td>2014</td>
<td>New 2020 / 2030 target</td>
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