

# “Ground rules for EU ETS structural reform and how to implement these”



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## *Structural reform: the ground rules*

5 ground rules to inspire  
structural EU ETS reform

## *Structural reform: the ground rules*

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*“Structural reform needs to be agreed on and implemented as soon as technically possible and preferably before 2015 to give market participants and investors the prospect of long-term legal certainty within the shortest possible time”*



## *Structural reform: the ground rules*

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*“Structural reform has to make the long-term cap trajectory consistent with achieving the EU 2050 climate target in a cost-effective manner”*

## *Structural reform: the ground rules*



*“Structural reform should eliminate the need for major new interventions beyond 2020, even under diverse economic situations”*

## *Structural reform: the ground rules*

### IV

*“The direct impact of structural ETS reform before 2020 on sectors exposed to carbon leakage has to be minimal ”*



## *Structural reform: the ground rules*



*“Structural ETS reform has to include new (financial and non- financial) tools that address and enhance the long-term competitiveness of European industry by mainstreaming economic development and innovation into European climate action”*

Six possible interventions  
to implement  
structural EU ETS reform  
according to the ground rules



## *Structural reform: the actions*

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“Set aside the around 1 - 1.4 billion allowances which are supposed to be auctioned between 2013-2020”

- Set aside, not cancel
- Can be achieved through combination of backloaded allowances and remainder of New Entrants Reserve

## *Structural reform: the actions*



“Adjust the linear reduction factor as from 2015”

- move can be from 1.74% to e.g. 2.5%
- should happen as soon as possible (e.g. 2016) as to generate market signal early in 2020s and avoid price spikes later

## *Structural reform: the actions*



“Leave the amount of free allowances untouched up to 2020 and link to the international framework”

- Beyond 2020 de-linking auctioning and free allocation could be continued depending on outcome int'l negotiations
- over-all cap remains untouched



## IV

“Create a special reserve for quantitative easing & squeezing”

- This reserve can be constructed using (part of) set-aside allowances as mentioned under I
- This reserve forms the backbone of a supply adjustment mechanism
- Clear rules need to be established upfront for its activation/use

## *Structural reform: the actions*



“Avoid use of external credits which might generate another EUA price slump”

- Unless EU ETS cap is upfront adjusted downwards with corresponding amount

## VI

“Create an EU-wide Industrial Low-Carbon Transition Fund using part of the set-aside allowances”

- Around 900 million EUAs could raise revenues of 18 Bn EUR at 20 EUR/t
- Funding breakthrough technologies in energy intensive sectors
- Funding an EU innovation framework supporting low-carbon innovation across the economy
- Funding investments in skills: training, re-training, ...





“Innovation  
distinguishes between  
a leader and a follower”

Steve Jobs



Thank You

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