

# 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 CO<sub>2</sub> emissions reductions. Arbitrary decisions for changes of allocations, caps, benchmarks etc. should be prohibited or at least limited to an absolute minimum.
- CO<sub>2</sub> emissions reductions are only to be achieved in sectors with overcapacity when rationalization of industry resulting in more CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> coming from cement production in a Northern European country does not have a single different effect on global climate change than a ton of CO<sub>2</sub> 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 CO<sub>2</sub> 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<sub>2</sub> in Europe = One ton of CO<sub>2</sub> in China
- If not possible, fair restrictions / compensation in Europe

## 3. Investments in CO<sub>2</sub> 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

# Annex

# Timeline of changes in the EU ETS

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