



MINISTRY  
OF THE ENVIRONMENT

# EU Climate Policy & EU ETS

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# EU Climate Policy

1. To keep global warming within the 2 deg limit
2. Switch EU economy from today fossil fuel driven to tomorrow's renewable and other carbon neutral sources.
3. Ensure that the world stays committed to the same goals and take action.
4. Durban Platform must deliver truly global solution with all parties to the convention involved
5. Adapt to climate change in the EU
6. Assist the developing countries in their efforts to mitigate and adapt
7. Can the C-E-P help the EU achieve the goals?

## EU ETS – success story?

1. Smoothly introduced in all EU MSs, including the EU12
2. Very well developed administration capacity in all MSs with MRV rules well developed and deployed.
3. Very good participation of the businesses, with carbon price being included in the list of major economic factors used to manage the companies.
4. Market – still not very well developed
5. Legal and political uncertainty – what is the true goal?
6. Lack of clear rules on allocation of free allowances
7. Phase three and centralised approach – will it help?
8. Not too many followers in the world and too many complaints – cost of the system, aviation, etc.
9. Liquidity is a problem.

**The experience is mixed.**

## GHG Market or Markets – same goals – various approaches

1. EU ETS has never been existing in vacuum. It is the response to KP obligations. It is an important part of global GHG market.
2. Some elements of carbon market has been in place (including prototype projects – using KP mechanisms) before KP entered into force
3. New schemes are being established – Switzerland, Australia, China, Korea, regional schemes in the US, voluntary markets, the others are following
4. Art. 17 (KP) intergovernmental trading.
5. **In short term perspective (until 2020-2025?) EU ETS and other schemes will exist without or with limited linkages only with those, while in long term they need to link together**

## SHORT TERM PERSPECTIVE – FIXES OF REALITY?

1. Primary goal of the EU ETS – to allow for the reductions in the most cost-efficient manner
2. Price signal – crucial, but in the absence of the single EU energy market, detaching the price of carbon from the overall economic situation is almost impossible.
3. The binding goal plays only limited role in driving the price. Factors like weather, price of fuels etc. are significantly influencing the EUAs price
4. The MSs differ:
  - Energy mixes
  - Perception of energy security (including alternative routes of supply)
  - Access to capital and ability of economies to cover the investment cost
5. The economic crisis is among the reasons of low carbon price. Same happens on other markets – e.g. real estate, construction services etc.



# LIMITED SYNERGY BETWEEN EU POLICIES

1. Climate action is associated by other environmental laws:

- CAFE
- Industrial emissions
- Future mercury convention

These drive reduction of the use of coal, lignite but might also affect the use of biomass!

2. Financial arrangements to assist investment in power sector, transportation infrastructure and improved energy efficiency are frequently contradicting fiscal policies of the EU MSs

3. Natural gas (incl. shale gas) instead of coal or lignite might be a very good medium term solution, helping in reducing the cost of transition to low emission future, but when assessing environmental impacts we should look at alternatives which are not environmentally neutral

## LONG TERM PERSPECTIVE – REQUIRED DELIVERY

1. We need indeed a discussion in the EU, including MSs level how to shape global debate and what tools we need to deploy both in the EU and globally in order to get to the required results – reduction is not the only result we need.
2. The ETS is the very important toolbox but the global mechanisms must be made available for the Europeans to enhance cost efficiency.
3. **Addressing the future must entail simultaneous addressing energy security as well as social and environmental aspects**



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Thank you very much

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