Why EU ETS?

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CEPS CMF Task Force on EU Emission Trading System
Article 1 of ETS Directive

• **Reductions of greenhouse gas emissions** in a cost-effective and **economically efficient manner** [...] so as to contribute to the levels of reductions that are considered scientifically necessary to **avoid dangerous climate change**.

• Provisions for **assessing and implementing a stricter Community reduction commitment exceeding 20%**, to be applied upon [...] an international agreement on climate change [...] as reflected in the 30% commitment endorsed by the European Council of March 2007.
Figure 8
Diagram relating the potential impacts of climate change to the rise in global average temperature. Zero on the temperature scale corresponds approximately to 1990 average temperature, and the bottom of the temperature scale to pre-industrial average temperature. The level of risk or severity of potential impacts increases with the intensity of red colour. The 2°C guardrail is shown for reference.
Driving humanity of the cliff?

A SNAPSHOT OF A WARMING WORLD

With no strengthening of climate action agreed in Durban, the world continues on our pathway to a temperature rise of 3.5°C above pre-industrial level by 2100. Even keeping this to an increase of 1.5°C will lead to considerable impacts, and more with 2°C. But with temperature increases heading towards 3.5°C, the impacts reach a distinctly higher level of risk. The impact examples in this figure are illustrative and not comprehensive.
GHG Target:
-20% compared to 1990
-14% compared to 2005

EU ETS
-21% compared to 2005

Non ETS sectors
-10% compared to 2005

27 Member State targets, stretching from -20% to +20%

Reality check:
EU 27 GHG emissions in 2011 were 18.6% below 1990
(23.5% incl. offsets)
GDP projections

Source: Eurostat, European Commission, calculations by Öko-Institut
Renewables and CO2 abatement in ETS sectors

Source: Eurostat, European Commission, calculations by Öko-Institut
Flexible mechanisms

Source: Calculations by Öko-Institut
Article 9: each trading phase counts

Source: CEC 2010b, EU 2009a, calculations by Öko-Institut
Promoting reductions of greenhouse gas emissions in a cost-effective and economically efficient manner?
Purpose of the EU ETS?

1. Meet EU environmental goals at a market price?
2. Minimize the price of carbon to meet EU environmental targets during a trading period (2020)?
   -> nice to have, but inadequate
3. Minimize price of carbon to meet EU environmental targets on LT EU environmental targets (2050)?
4. Provide a long-term signal for meeting EU environmental targets (to 2050)?
   -> YES
5. Catalyze technological change?
6. Drive investments in renewables and energy efficiency?
   -> Yes, but don’t leave to carbon market alone
Further reading

Greenpeace and WWF recommendations to strengthen the EU ETS (June 2012):

Joint NGO and ETUC position paper:

CAN-Europe « ETS at a crossroads »:
http://www.sandbag.org.uk/site_media/uploads/EU_ETS_at_a_crossroads_NGO_briefing_01.2013_FINAL.pdf
Thank you

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Backup slides
Importance of equity for comparability

“Who is doing the most mitigation?”

Sources:
- Norway, Canada, Russia, USA, Australia, EU27 – Climate Action Tracker, October 2011 Update
- Marshall Islands – PRIMA4 baseline UN Population Prospects 2010
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Considerations of equity are important to assess which metrics are appropriate to answer “Who is doing the most mitigation?”

Sources:
Norway, Canada, Russia, USA, Australia, EU27 – Climate Action Tracker, October 2011 Update
Marshall Islands – PRIMAP4 baseline
UN Population Prospects 2010
Decrease of auctioning revenues with EUAs -1€/t

Calculations made using the ARRA model, Oeko-institut 2010.
Amendments to the Energy Efficiency Directive (3/3)

Impact of Amendment 354 ENVI

- Existing law = 1.74% annual linear reduction
- Proposal in this amendment = 2.25% annual reduction from 2014 onwards

Extra reduction 2013-2052 = 8,558 million tonnes in period 3-7
Situation of key industrial sectors vis-à-vis EU ETS criteria (© Quirion)