Panel Discussion: Enhanced ETS cooperation in the future
Update on EU ETS
Overview

- **Structural measures**
- **ETS review**
- **Enhanced ETS cooperation**
Why structural reform?

- Large and persistent market imbalance
- Back-loading of auction volumes started in March 2014: but only first, temporary step

Blue columns are based on actual figures
Green columns are based on estimates
Structural reform

Serves a dual purpose:

- Tackle existing surplus
- Make the EU ETS more resilient to large demand shocks in the future

Policy response:
Create a market stability reserve
How does a market stability reserve work?

- Annual publication of total number of allowances in circulation – starting May 2017

When below the range, allowances released from the reserve (by adding them to future auction volumes)

When above the range, allowances added to the reserve (by deducting them from future auction volumes)
State of play

- Wide support for its introduction
- Debate mainly focused on making MSR more ambitious
- European Parliament ENVI committee vote:
  - Mandate for EP Rapporteur to initiate trilogues
  - Introduce MSR earlier ("operate by 31 Dec 2018")
  - Direct transfer of back-loaded and unallocated allowances into the MSR
  - 300 million allowances to support breakthrough industrial innovation, CCS and renewables
  - Proceed swiftly with elaboration of carbon leakage rules
- Council discussions ongoing
2030 framework: Domestic reductions in emissions from ETS and non-ETS

Emission reductions in ETS and non-ETS compared to 2005

- ETS: 2020 -21%, 2030 -43%
- Non-ETS: 2020 -10%, 2030 -30%

Including road transport, housing, agriculture etc.
Share of reduction per annual cap

Share of reduction per annual cap

-4,00% -3,50% -3,00% -2,50% -2,00% -1,50% -1,00% -0,50% 0,00%
Overall architecture of ETS in 2030 framework
Bilateral cooperation

- **Bilateral cooperation on emissions trading**
  - Focus on South Korea and China
  - Cost-effective emission reductions
  - EU policy outreach

- **South Korea:**
  - ETS started in January 2015
  - PI project agreed, set to start before end of 2015

- **China:**
  - Since Jan 2014, ongoing cooperation project on ETS capacity building (DEVCO funds)
  - Interest to enhance cooperation: possibly new project(s)
Long term perspective: international carbon market

- **EU ETS Directive: linking conditions**
  - Mandatory
  - Compatible
  - absolute emission cap

- **Int'l carbon market expected to develop gradually through bottom-up linking to establish a global carbon price**
  - AR5: cost-effective mitigation at global level requires global carbon price

- **Outlook:** No links between EU ETS and other ETS expected before 2020 (except CH)
  - As other ETS must be sufficiently mature, compatible & politically stable
Thank you for your attention!

Further information available from:

http://ec.europa.eu/clima/policies/ets/index_en.htm