



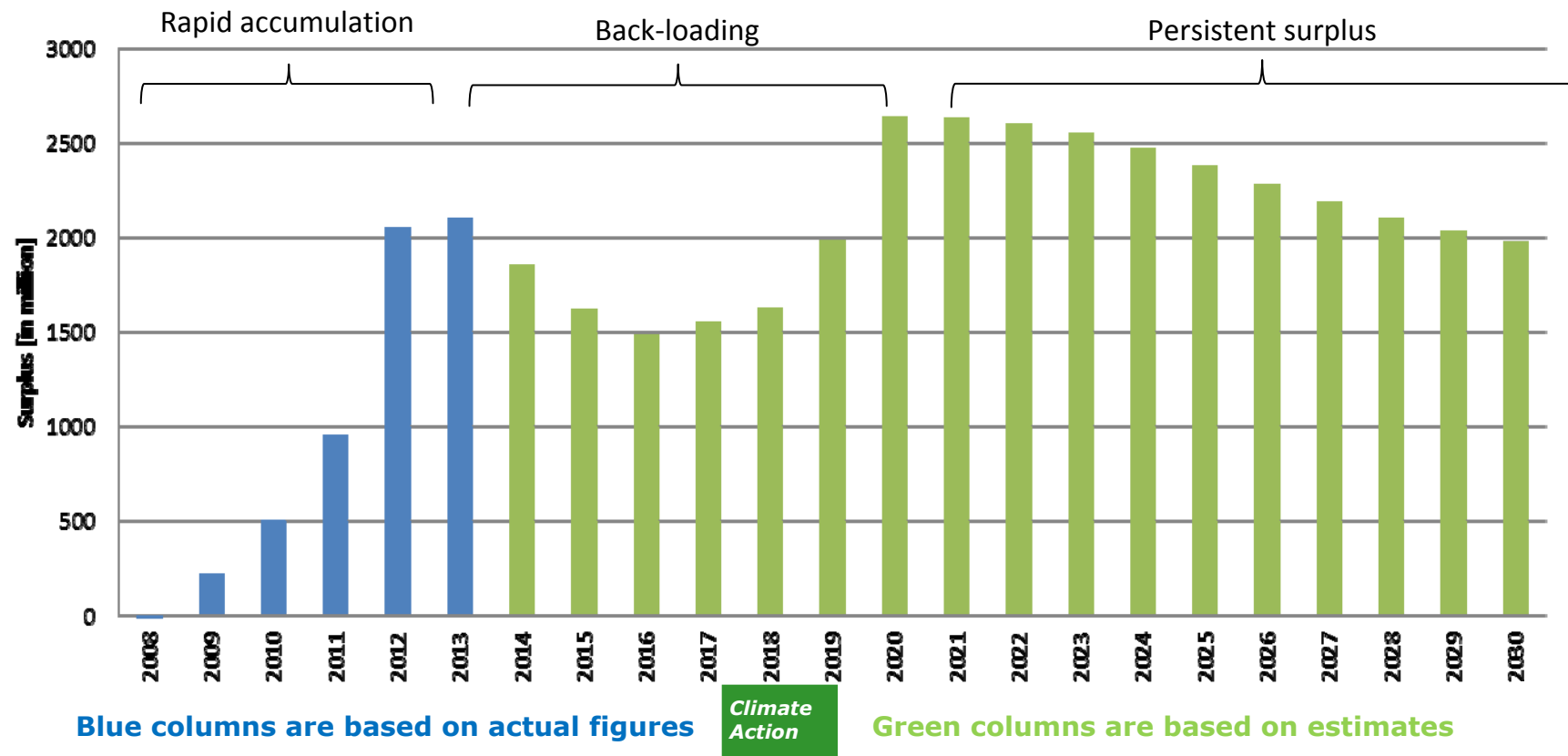
# **Panel Discussion: Enhanced ETS cooperation in the future Update on EU ETS**

# 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

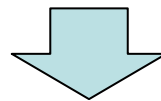




# Structural reform

**Serves a dual purpose:**

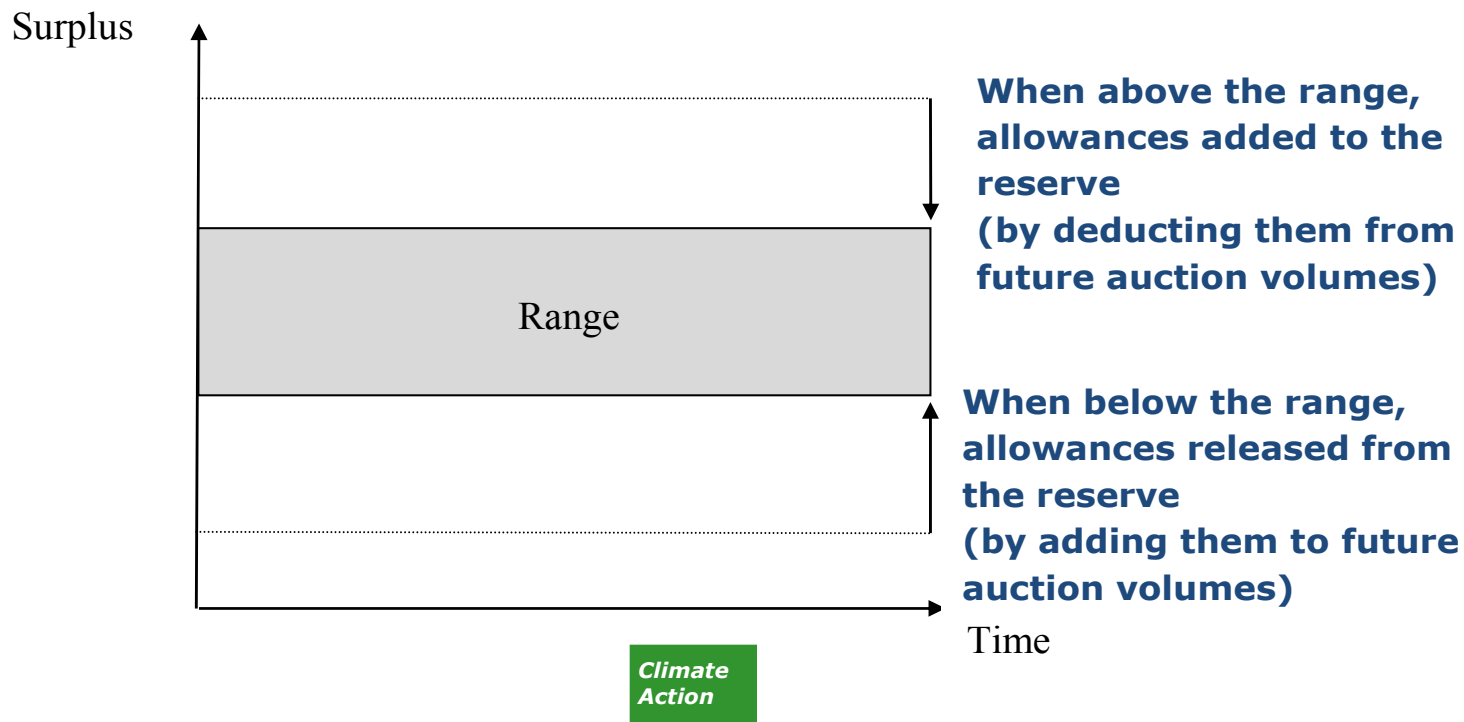
- Tackle existing surplus
- Make the EU ETS more resilient to large demand shocks in the future



**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





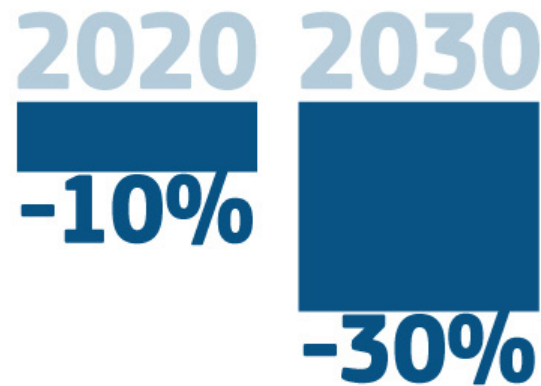
# State of play

- 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

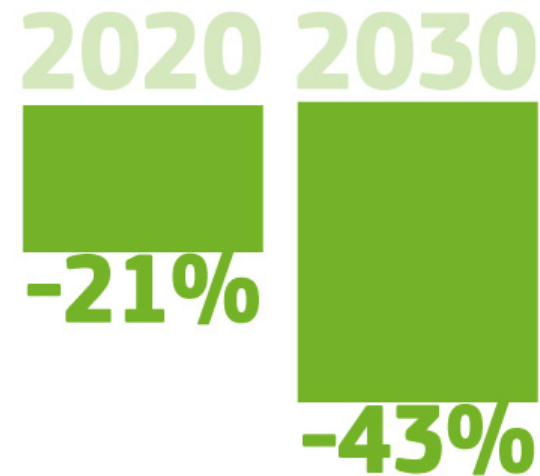


# 2030 framework: Domestic reductions in emissions from ETS and non-ETS

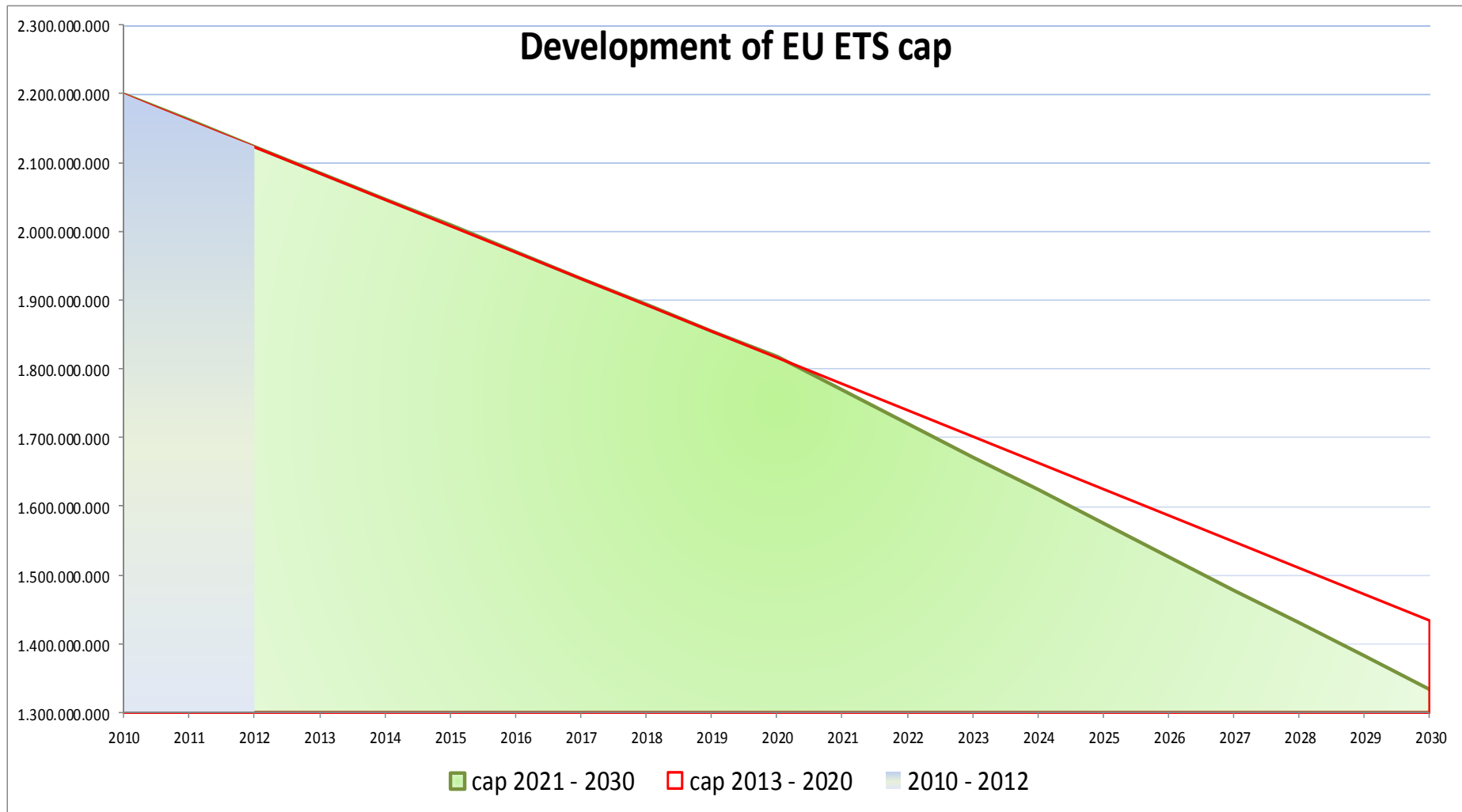
EMISSION REDUCTIONS IN ETS AND NON-ETS COMPARED TO 2005



**NON ETS** INCLUDING ROAD TRANSPORT, HOUSING, AGRICULTURE etc.

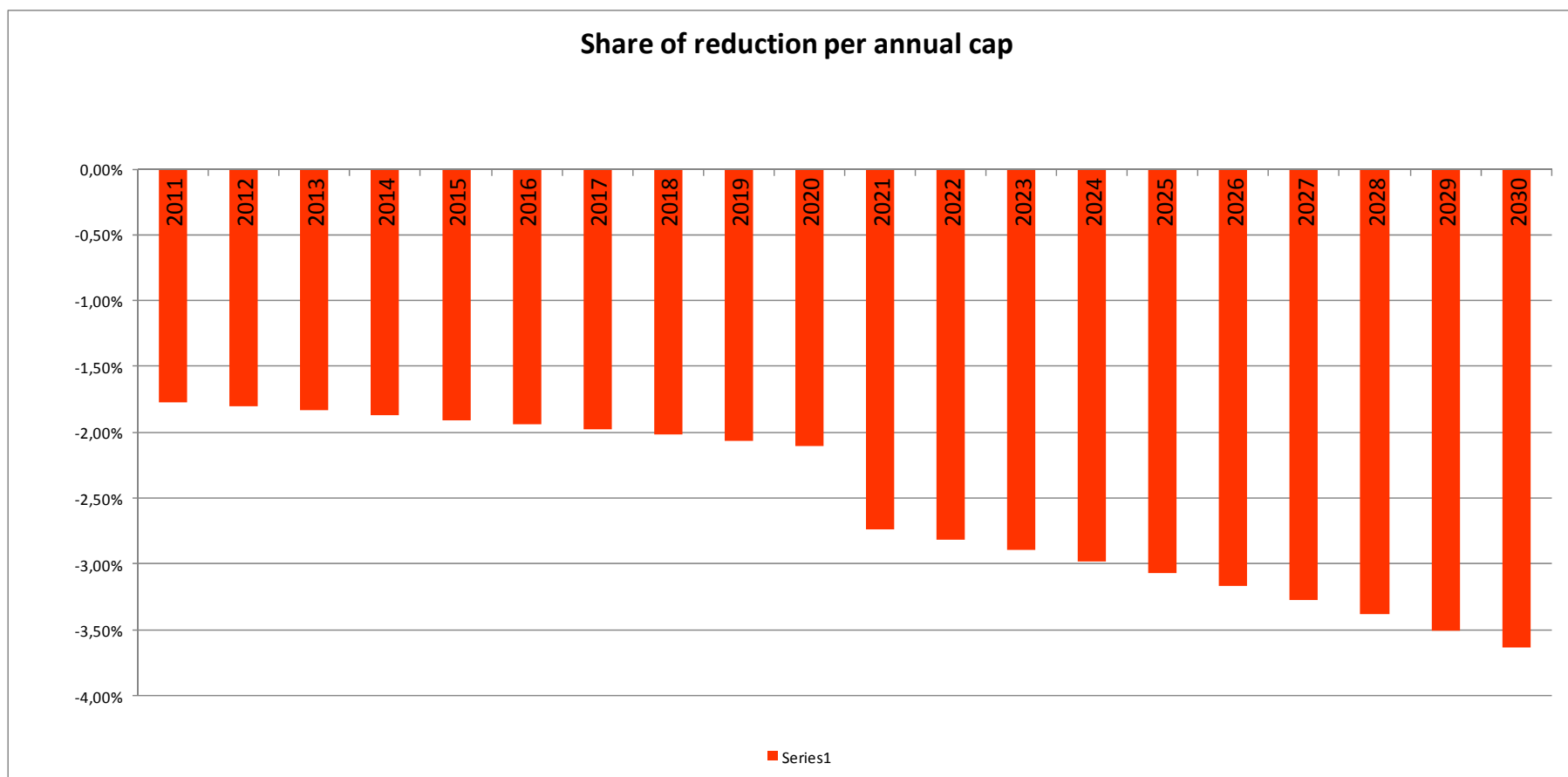


**ETS** INCLUDING POWER/ENERGY SECTOR & INDUSTRY



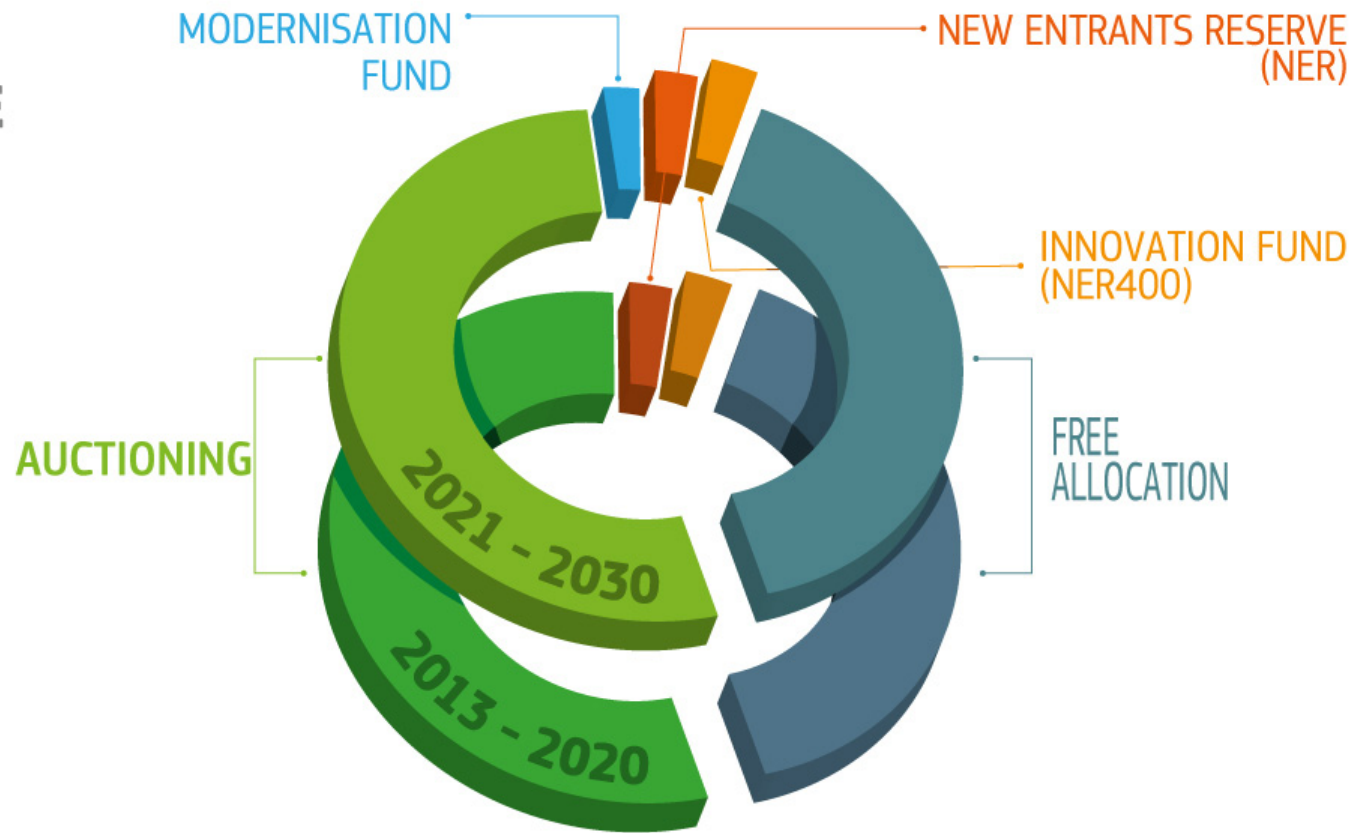


# Share of reduction per annual cap



# Overall architecture of ETS in 2030 framework

## OVERALL ARCHITECTURE





# 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](http://ec.europa.eu/clima/policies/ets/index_en.htm)**

**Climate  
Action**