

Improving the EU ETS for the climate

NGO perspective on the state of the ETS

Matthias Duwe

Climate Action Network Europe



Who we are

- Climate Action Network (CAN) is an international coalition of over 400 NGOs united by the common goal to stop dangerous, human-induced climate change
- CAN-Europe represents more than 100 member organisations in the EU25 and beyond
- CAN-Europe and its members have been following the formulation and implementation of EU climate change policies and act as observers at the UN negotiations
- The Brussels office aims to act as a bridge between the national groups and the European institutions.



1. Purpose of the review: ETS post-2012
2. Lessons learnt so far (NAPs 1 & 2)
3. Necessary improvements

1. Purpose of the review

Reminder: importance of the ETS

- ETS main EU tool to achieve reductions
- Internalise cost of climate change
- Send price signal to businesses
- Start transformation of EU economy
- Send signal: Reductions are possible!

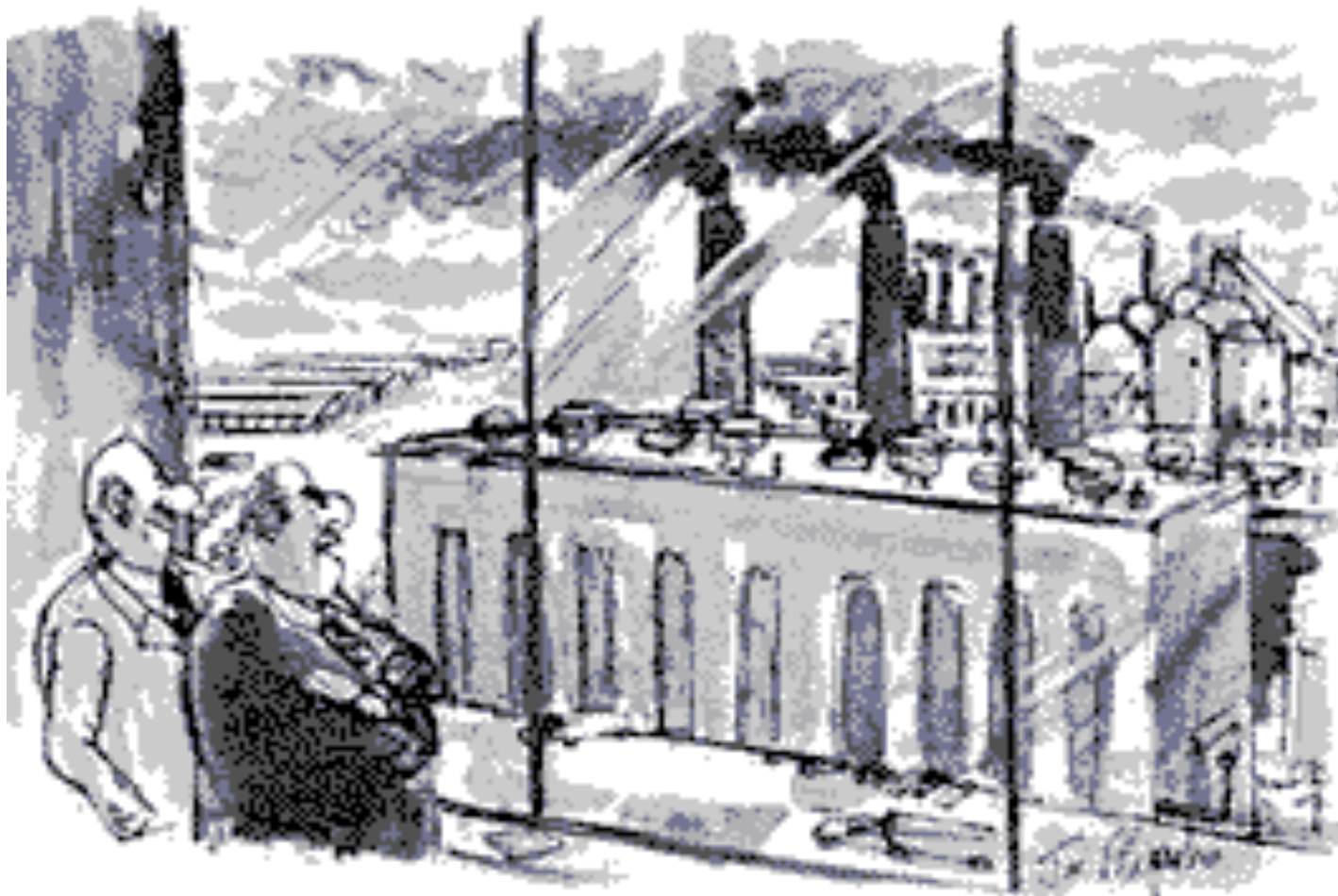


What is the review about?

- Improve on the basis of the main lessons learnt so far
- Make the ETS fit for a post-2012 world: deeper reductions

2. Lessons learnt so far

What has the ETS done so far?



2. Lessons learnt so far



What has the ETS done so far?

Positive lessons from NAPs 1&2:

- + The principle of absolute caps established
- + Carbon price has reached the board rooms
- + Initial emission reductions are being realised
- + ETS operation has supported developments in other parts of the world (USA, Australia, et al)



2. Lessons learnt so far



What has the ETS done so far?

Negative lessons from NAPs 1&2:

- Potential not realised so far
- Many EU governments are giving out too many allowances
- Allocation rules often give wrong incentives (eg. coal over gas)
- Wrong signals make future reductions more expensive
- Power sector has made good (windfall) profits
- Process transparency insufficient



2. Lessons (not) learnt so far



Suggested increases for ETS sector emissions over 2005 levels in NAPs for 2008-12 submitted to Commission

Belgium	4,5%
Greece	5,9%
Ireland	0,9%
Latvia	165,5%
Lithuania	149,6%
Luxembourg	51,9%
Malta	49,5%
Netherlands	4,7%
Slovakia	63,9%
Sweden	18,3%
TOTAL	17,2%

Source: EU data,
own calculations

would have amounted to nearly 50MT CO₂ increase

2. Lessons (not) learnt so far



Relative changes demanded by the European Commission

Belgium	-7,6%
Germany	-6,0%
Greece	-8,5%
Ireland	-6,4%
Latvia	-57,1%
Lithuania	-47,0%
Luxembourg	-31,6%
Malta	-29,1%
Netherlands	-5,1%
Slovakia	-25,2%
Slovenia	0,0%
Spain	-0,3%
Sweden	-9,5%
UK	0,0%
TOTAL	-6,1%

Source: EU data,
own calculations

amount to nearly 75MT CO2 reductions

2. Lessons (finally!) learnt so far



Absolute reductions in the system 2008-12 (Mt CO₂):
Commission decisions compared to 2005 emission levels

Belgium	-2,1
Germany	-31,9
Greece	-2,2
Ireland	-1,3
Latvia	0,4
Lithuania	2,2
Luxembourg	0,1
Malta	0,1
Netherlands	-0,5
Slovakia	5,7
Slovenia	-0,4
Spain	-35,5
Sweden	1,5
UK	-35,7
TOTAL	-99,6

Source: EU data,
own calculations

3. Necessary improvements



Key issues for the review

- A. Targets: ensuring continuous reductions
- B. Allocation: Anti-carbon signal from allocation
- C. External credits: quantity and quality limitations
- D. Expansion: set of policies for aviation, no surface transport
- **ETS Post-2012**: flagship with full sails ahead towards cost-efficient means of enabling deeper emission reductions

3. Key conclusions for the review



A: Targets:

ETS must enshrine the principle of continuous absolute reductions

Current rules on target setting are insufficient. Need strengthening and harmonising. Longer term signals are required.



B: Allocation:

**Allocation mechanism must ensure internalisation of carbon:
relatively more pollution = relatively higher cost**

Auctioning is the most simple and effective means of doing that.



3. Key conclusions for the review



What we get otherwise is this...



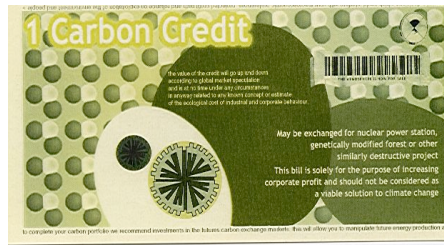
3. Key conclusions for the review



C: External credits:

ETS must have quantitative and qualitative limits on JI/CDM use

To ensure domestic reductions and technology signal



D: Expansion:

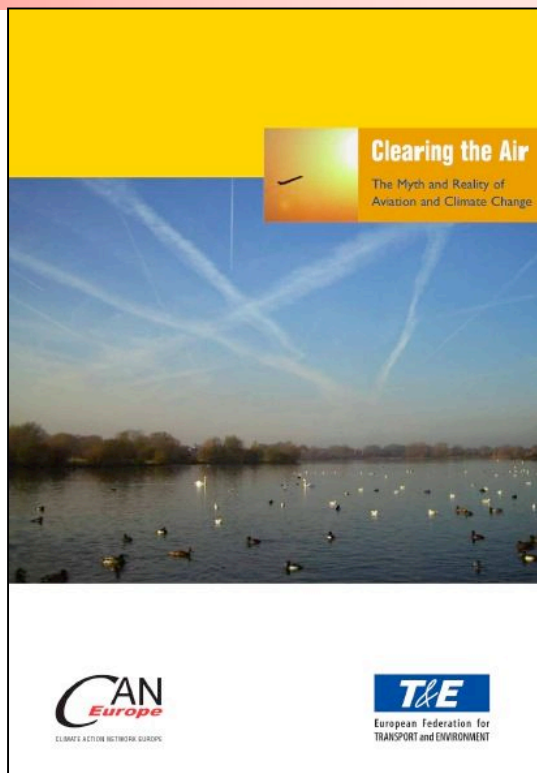
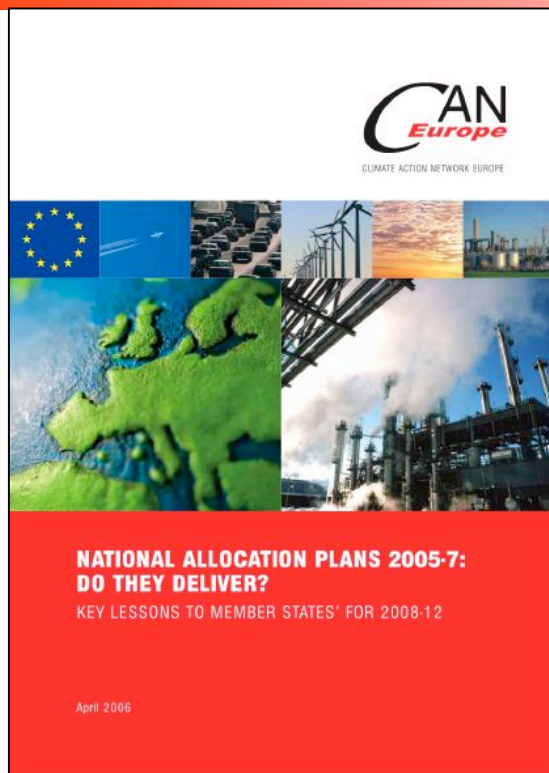
A dedicated emissions trading scheme for aviation as part of a package

Aviation can do more than others, privileged status must end.

**Other measures are needed
for surface transport**



FURTHER READING



- CAN-Europe evaluation of NAPs 2005-7
- Clearing the Air - The Myth and Reality of Aviation and Climate Change
- IEEP report on inclusion of non-CO2 gases

Website: www.climnet.org/

Looking ahead



What future for the EU ETS?

Smooth sailing towards deeper cuts beyond 2012?

Or: risk running it aground, ETS lost at sea (= no reductions?)



A: Targets:

ETS must enshrine the principle of continuous absolute reductions

B: Allocation:

**Allocation mechanism must ensure internalisation of carbon:
relatively more pollution = relatively higher cost**

C: External credits:

ETS must have quantitative and qualitative limits on JI/CDM use

D: Expansion:

A dedicated emissions trading scheme for aviation as part of a package

Summary

**The review of the ETS must strengthen its climate effectiveness
= absolute emissions reductions guaranteed**

Looking ahead



What future for the EU ETS?

Smooth sailing towards deeper cuts beyond 2012?

Or: risk running it aground, ETS lost at sea (= no reductions?)



time for questions...



Thank you for your attention!

Matthias Duwe

Climate Action Network Europe

Rue de la charité 48, 1210 Brussels

www.climnet.org / [matthias\(@\)climnet.org](mailto:matthias(@)climnet.org)

A: Targets:

ETS must enshrine the principle of continuous absolute reductions

B: Allocation:

**Allocation mechanism must ensure internalisation of carbon:
relatively more pollution = relatively higher cost**

C: External credits:

ETS must have quantitative and qualitative limits on JI/CDM use

D: Expansion:

A dedicated emissions trading scheme for aviation as part of a package

Summary

**The review of the ETS must strengthen its climate effectiveness
= absolute emissions reductions guaranteed**