



# Update on the EU ETS and EU climate policy

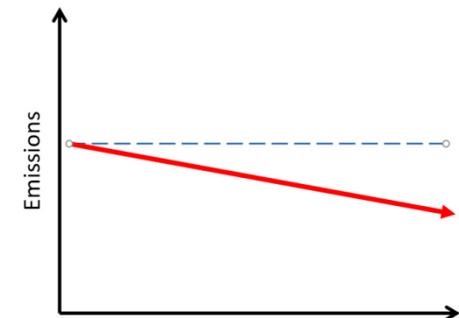
**Damien Meadows**  
Advisor, European and International Carbon Markets  
DG Climate Action, European Commission

15 February 2017

*Climate  
Action*

# State of the EU ETS

- ❖ In its 12<sup>th</sup> year of operation, covering around half of EU's CO<sub>2</sub> emissions, across 31 countries
- ❖ >10,000 installations incl. power, steel, cement, chemicals, paper and ~500 airlines
- ❖ Market-based price signal for emission reductions and long-term perspective
- ❖ System of harmonised free allocations, and no evidence of 'carbon leakage'
- ❖ Robust monitoring, reporting, verification and registry systems
- ❖ Annually decreasing emissions cap
- ❖ Innovation funding/NER300 + auction revenue of ~€5bn in 2016, 80% reported for climate
- ❖ Market Stability Reserve in place, operational from 2019





## EU ETS legal revision up to 2030

"A well-functioning reformed EU ETS as main European instrument"

**Cap** to decline with **2.2 %** from 2021 onwards; additional GHG reduction of 556m tonnes

**Auction share** of remain at 57%, redistribution of some auction revenue between Member States

**Free allocation to industry to continue**, addressing competitiveness and risk of carbon leakage

**Innovation fund** created – 450 million allowances

Setting up of a **Modernisation fund** (2% of the cap)

Action

# State of play in European Parliament and Council

- European Parliament Plenary voting today:
  - **Doubling Market Stability Reserve feed rate**
  - **Additional free allocation possibilities**
  - **Larger Innovation Fund**
  - **Cancellation of part of surplus allowances**
  - **2.2% or 2.4% linear reduction factor?**
  - **Possibility of border measures on certain imports?**
- EU Member States aiming for a general approach at the Environment Council on 28 February:
  - **Doubling Market Stability Reserve feed rate?**
  - **Additional free allocation possibility?**
  - **Governance for Modernisation Fund**
- Aim for trilogues between EP and Council to reach agreement by end 2017



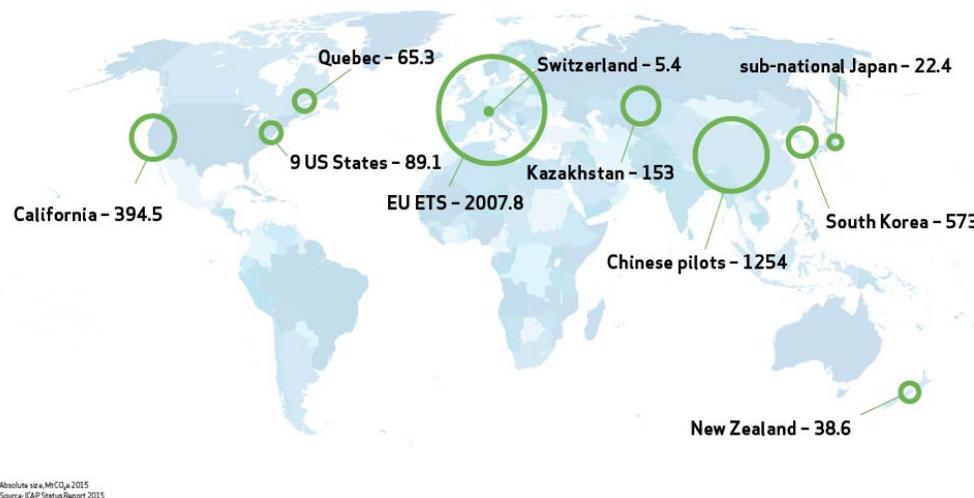
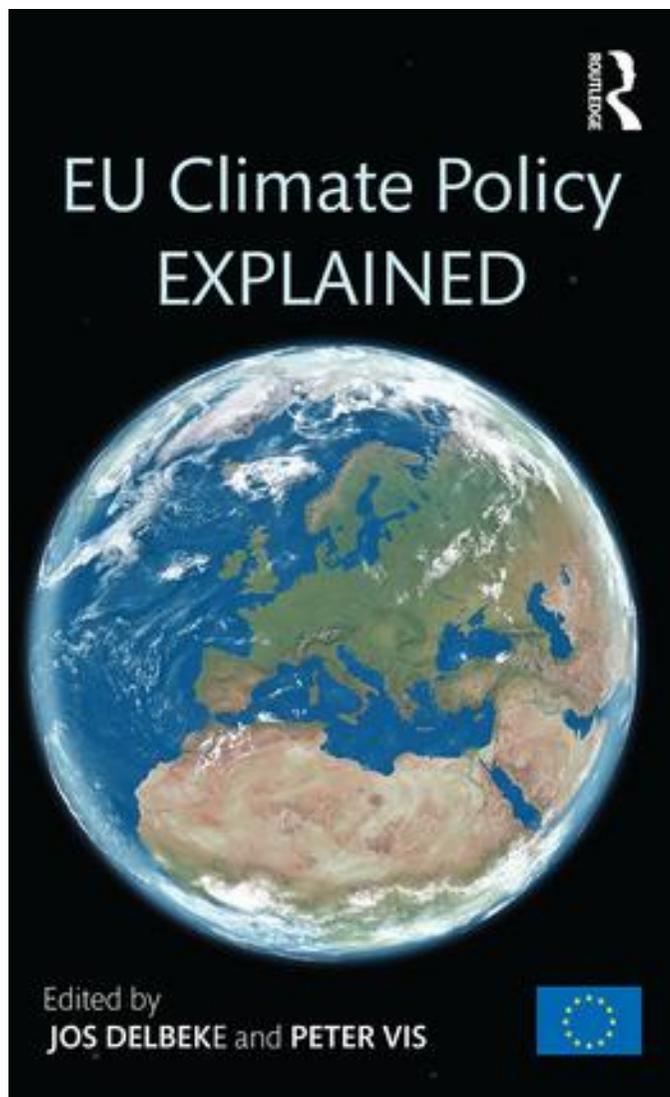
## Other current issues

- Implementation of the Paris Agreement, brought into force by EU ratification in 2016
- Proposals for non-ETS emissions and land use made July 2016, progressing in Parliament and Council
- Proposals on Renewables, Energy Efficiency, Energy Market Design ('Winter package')
- ETS linking agreement reached with Switzerland in early 2106
- Proposal made on 3 February to continue current scope of ETS for aviation (>17m tonne intra-EEA reduction contribution/ year)





European  
Commission



Continue experience sharing:  
via ICAP, World Bank's PMR, bilaterally etc  
+ book available free in EN/FR/ES/ZH at  
[https://ec.europa.eu/clima/publications\\_en#General](https://ec.europa.eu/clima/publications_en#General), and EU ETS handbook at  
[http://ec.europa.eu/clima/sites/clima/files/docs/ets\\_handbook\\_en.pdf](http://ec.europa.eu/clima/sites/clima/files/docs/ets_handbook_en.pdf)

Climate  
Action