EU Emissions Trading System (EU ETS)

Summary

**Status:** ETS in force

**Jurisdictions:** Member states: 28 EU Member States and three European Economic Area-European Free Trade Association (EEA-EFTA) states: Iceland, Liechtenstein and Norway

The European Union Emissions Trading System (EU ETS) is a cornerstone of the EU’s policy to combat climate change and a key tool for cost-effectively reducing GHG emissions from the regulated sectors. The system covers ~45% of the EU’s emissions, from the power sector, manufacturing industry, and aviation limited to flights within the European Economic Area. It is the oldest and largest ETS operating worldwide. Introduced in 2005, now approaching the end of the third trading phase, the EU ETS has gone through several reforms. The revision of the system’s framework, completed in 2018, will be implemented with the start of the fourth trading phase in January 2021. In January 2020, the EU ETS became linked to the Swiss ETS, the first linking of this kind for both parties.

Overall GHG emissions (excluding LULUCF)

**Emissions:** 4,323 MtCO₂e (2017)

Overall GHG emissions by sector

<table>
<thead>
<tr>
<th>Sector Name</th>
<th>MtCO₂e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>3368</td>
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<tr>
<td>Industrial Processes</td>
<td>377</td>
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<td>Agriculture</td>
<td>439</td>
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<td>Waste</td>
<td>139</td>
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Overall GHG reduction target

**By 2020:** 20% below 1990 GHG levels

**By 2030:** At least 40% below 1990 GHG levels; emissions regulated by the EU ETS 43% below 2005 levels

**By 2050:** EU leaders have committed to reaching climate neutrality by mid-century

Carbon Price

Current Allowance Price (per t/CO₂e): EUR 24.84 (USD 27.81) (average 2019 price on secondary market [EEX]; updated prices available here)

Emissions covered by the ETS

0.45

GHG covered

CO2, N2O, PFCs
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Sectors covered and thresholds

**PHASE 1 (2005-2007):** Power stations and other combustion installations with >20MW thermal rated input (except hazardous or municipal waste installations), industry (various thresholds) including oil refineries, coke ovens, and iron and steel plants, as well as production of cement, glass, lime, bricks, ceramics, pulp, paper, and board.

**PHASE 2 (2008-2012):** Aviation was introduced in 2012 (>10,000 tCO2/year for commercial aviation; >1,000 tCO2/year for non-commercial aviation since 2013) (see below). NOx emissions from the production of nitric acid were included by a number of countries. The EU ETS also expanded to include Iceland, Liechtenstein, and Norway.

**PHASE 3 (2013-2020):** Carbon capture and storage installations, production of petrochemicals, ammonia, nonferrous and ferrous metals, gypsum, aluminum, as well as nitric, adipic, and glyoxylic acid (various thresholds) were included.

**PHASE 4 (2021-2030):** Based on the current legislation, no changes to the scope have been agreed on for Phase 4.

**Aviation:** Emissions from international aviation were included in the EU ETS in 2012. In November 2012, the EU temporarily suspended enforcement of the EU ETS requirements for flights operating from or to non-EEA countries (“stop the clock”) while continuing to apply the legislation to flights within and between countries in the EEA. Exemptions for operators with low emissions have also been introduced.

In light of the progress made under the International Civil Aviation Organization (ICAO) towards a global measure to reduce emissions from the aviation sector (the Carbon Offsetting and Reduction Scheme [CORSIA]), the EU will maintain the intra-EEA scope for the ETS Aviation until 31 December 2023. A further review and assessment will be carried out once there is clarity surrounding the content and nature of CORSIA, as well as the extent of participation by Europe’s international partners.

**Point of regulation**

**Downstream**

**Number of liable entities**

10,744 power plants and manufacturing installations.

No information available yet.

**Institutions involved**

The European Commission and the relevant authorities of the 28 Member States, Iceland, Liechtenstein, and Norway.
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