The European Commission presented an analysis according to which its 27 member states could reduce emissions by at least 55% by 2030 compared to 1990 levels. Carbon costs for European companies could double this decade, in line with the European Union’s plans for more ambitious emission reductions by 2030, according to a European Commission modeling analysis. To achieve this goal, which requires the approval of member states and the European Parliament, the Commission wants to strengthen the intra-block emissions trading system (ETS), which forces power plants, factories and airlines to buy permits to cover their emissions.

The commission said its main policy scenarios for achieving the new climate goal could result in a carbon price in Europe of 32 to 44 euros in 2030, measured by 2015 prices. When prices from 2030 are taken into account, the higher end of that range is the price of 59 euros until 2030, according to the calculations of Refinitive analysts. An inflation rate of 2% per year from 2015 to 2030 was used.

That is approximately twice the current price of EU carbon licenses, which were traded this week at a historically record price of around 30 euros per tonne, but fell below 29 euros. Countries, including Poland, have warned that higher carbon costs could burden companies battling the aftermath of the COVID-19 pandemic. The EU says additional revenue from the price of carbon could help fund countries’ economic recovery.

In order to achieve a deeper cut in emissions, the Commission said that the limitation of the number of permits under the scheme will have to proceed faster than planned, which could be accompanied by a one-time reduction in the total supply of permits on the market in 2026. New systems would also be added to the ETS, including ships and, possibly, buildings and transport.

Source: reuters.com