

Today the European Commission presented its new legislative proposal to reform the European Emissions Trading System (EU ETS) after 2020 that is largely designed to please large polluters and set up the EU's carbon market for failure.

The main ETS target proposed by the Commission is a 43% greenhouse gas reduction in 2030 (below 2005 level), which in the ETS translates into a cap declining by 2.2% annually from 2021 onwards, instead of the current rate of 1.74% up to 2020.

However, the proposal offers no permanent solution for the vast oversupply of ETS pollution permits available to the carbon market [1]. In addition, lenient rules to define risk of 'carbon leakage' are continued, leading to about 6 billion free pollution permits to be handed out up to 2030.

WWF welcomes nonetheless the proposed establishment of several funds that can finance clean technologies and drive further emission reductions [2]. However, the effectiveness of these funds will depend on the strength of the overall carbon price signal, and a clear indication that financing renewable energy and energy saving technologies takes priority. The EU Emissions Trading System covers nearly half of the EU's carbon pollution but has so far failed to deliver an adequate price to reduce the CO₂ emissions coming from Europe's largest industrial polluters in a cost-effective manner.

The post-2020 review of the ETS Directive offers a last chance for EU policymakers to prove that pollution pricing can work for the climate and reinforces complementary policy instruments to deliver renewable energy and energy savings at scale.

In reaction to the European Commission's proposal, Geneviève Pons, the new Director of the WWF European Policy Office, said:

"This proposal fails to show how the EU ETS will ensure that Europe's largest polluters pay a meaningful price for their carbon pollution. The European Commission is setting Europe's carbon market up for another decade of failure. Reducing the effectiveness of European climate policy in order to appease vested economic interests is unacceptable.

The idea to finance CO₂ reductions and clean technologies through a meaningful price on carbon is the right one. This should be strengthened through more earmarking of ETS auctioning revenues and can send an encouraging signal ahead of the international climate negotiations in Paris later this year. The other European institutions have to act responsibly and intervene to rescue the EU ETS from redundancy and to deliver a carbon market with society wide benefits."

source: wwf.panda.org