



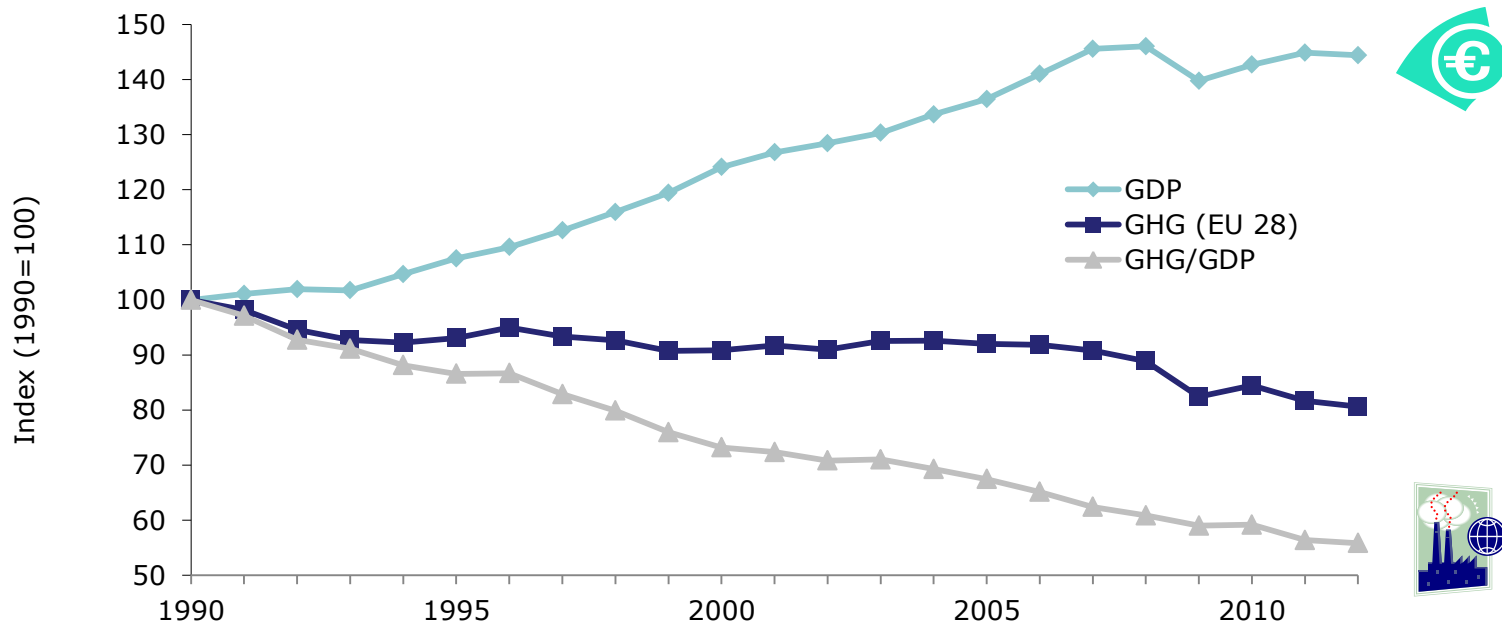
2030

**REFORM OF THE EU EMISSIONS
TRADING SYSTEM**

#EU2030

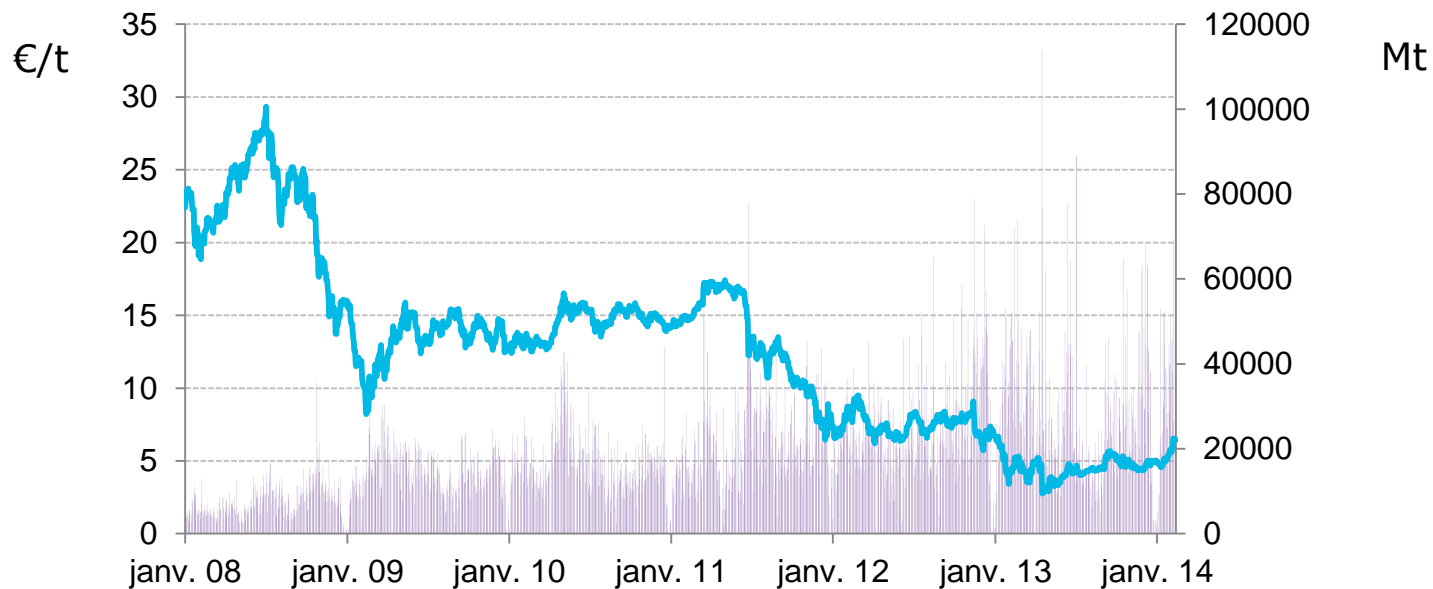
DG CLIMATE ACTION

The EU is gradually decarbonising ...



Decoupling economic growth and GHG emissions:
EU GDP grew 45% in 1990 to 2011, while emissions decreased by 18.3 %

European carbon market



Source Bloomberg New Energy Finance

- Created EU-wide price signal
- Liquid market with growing volumes
- Back-loading of auction volumes started on 12 March

Substantially improved architecture in phase 3 (2013 to 2020)

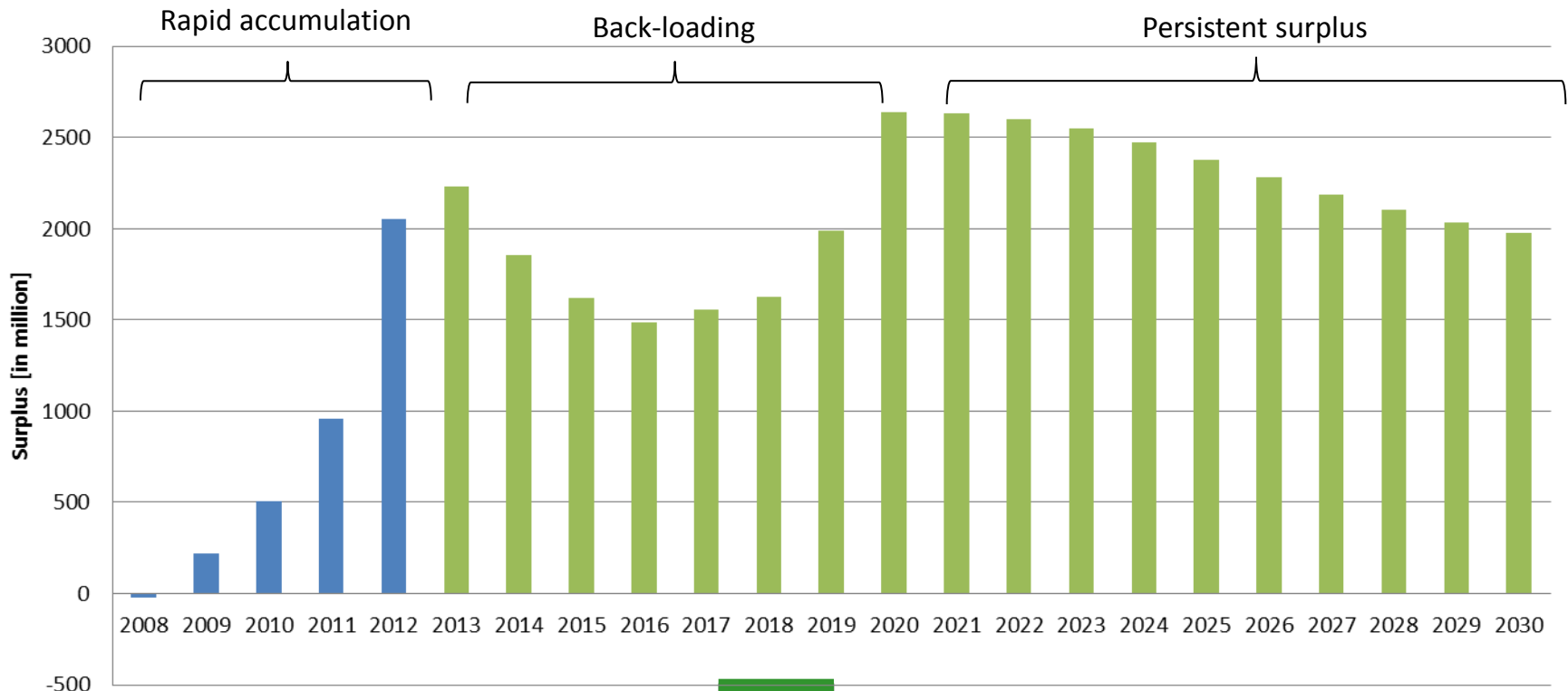
The EU ETS is working well from a technical point of view

Starting last year, it saw a major overhaul

- Cap-setting is an EU process
- Auctions are a daily routine
- Harmonised free allocation to industry and carbon leakage provisions
- Single registry is operational
- Rules for recognising international credits
- Improved protection against fraud (allowances covered by new MiFID)

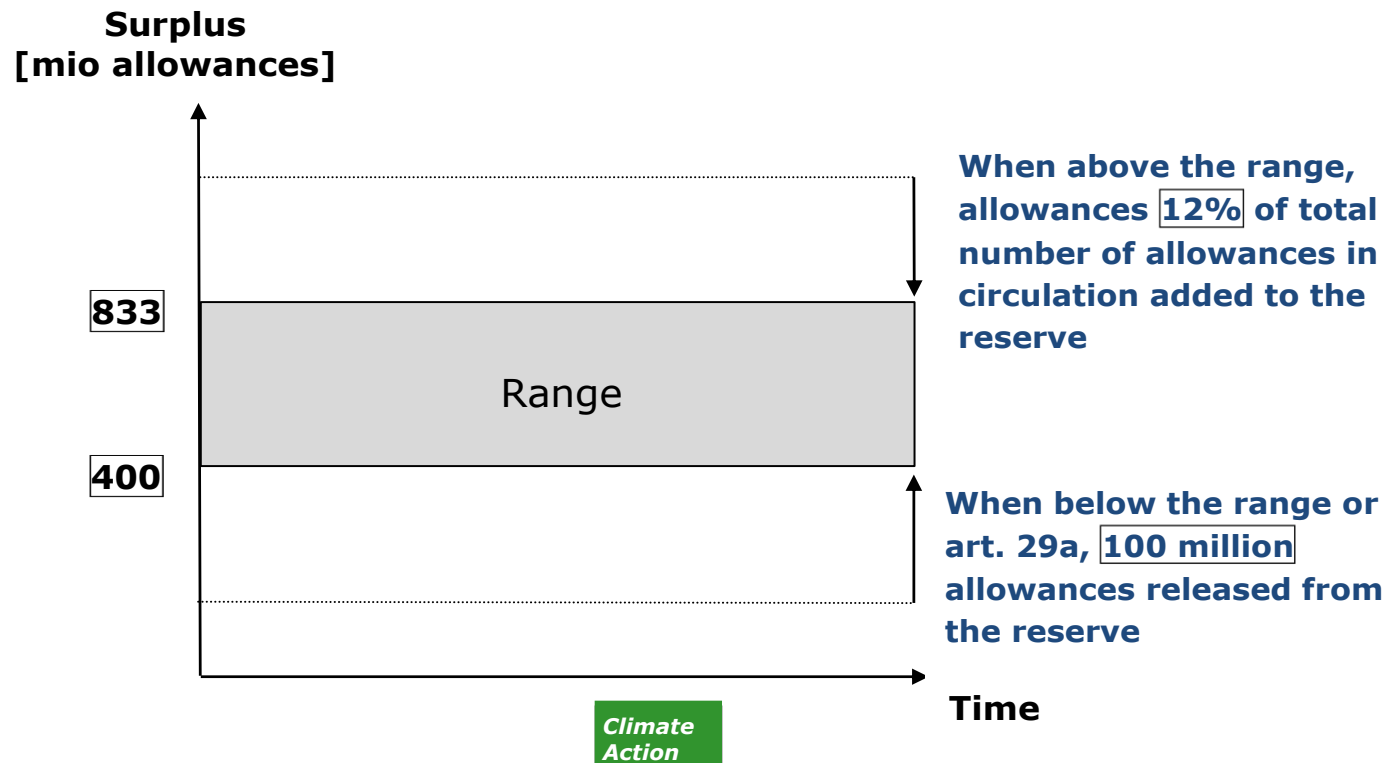
There comes the recession – and the structural reform debate

- Large and persistent market imbalance
- Back-loading of auction volumes only first, temporary step



Market stability reserve: Operation

- Annual publication of total number of allowances in circulation – starting May 2017



Market stability reserve: Basic architecture

- Introduction at the start of phase 4 of the EU ETS in 2021
 - To provide regulatory certainty during phase 3 and give market participants lead-time before the rule changes applies
- The reserve is rule-based – no leeway for discretion in implementation
- No need for new institutions or new data – fully embedded in existing framework
- Captures all changes in demand, including due to interaction with complementary policies
- Due to its automatic nature early review of key parameters in 2026
- At the end of each trading period, allowances held in the reserve are carried forward
- Does not affect free allocation to industry

Linear reduction factor

Current linear
reduction factor
of 1.74%



Proposed 40%
greenhouse gas
emissions
reduction target

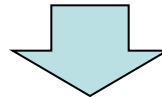


Linear reduction
factor of 2.2 %
as of 2021

- Not part of the legal proposal on the EU ETS
- Insufficient to reduce the imbalance in the mid-term

Next steps

- Most important is to have a decision as early as possible on the reserve;
- Reserve is a "no regret" measure independently of how the 2030 framework rules will look like;



- Council: next Environment Working Party in June
- European Parliament: 1st exchange of views in ENVI Committee in March, formal timetable to be fixed after the elections



Thank you

For the EU ETS regulatory updates subscribe to:
http://ec.europa.eu/clima/rss/news_regulatory_en.xml