



European  
Commission



# 2030

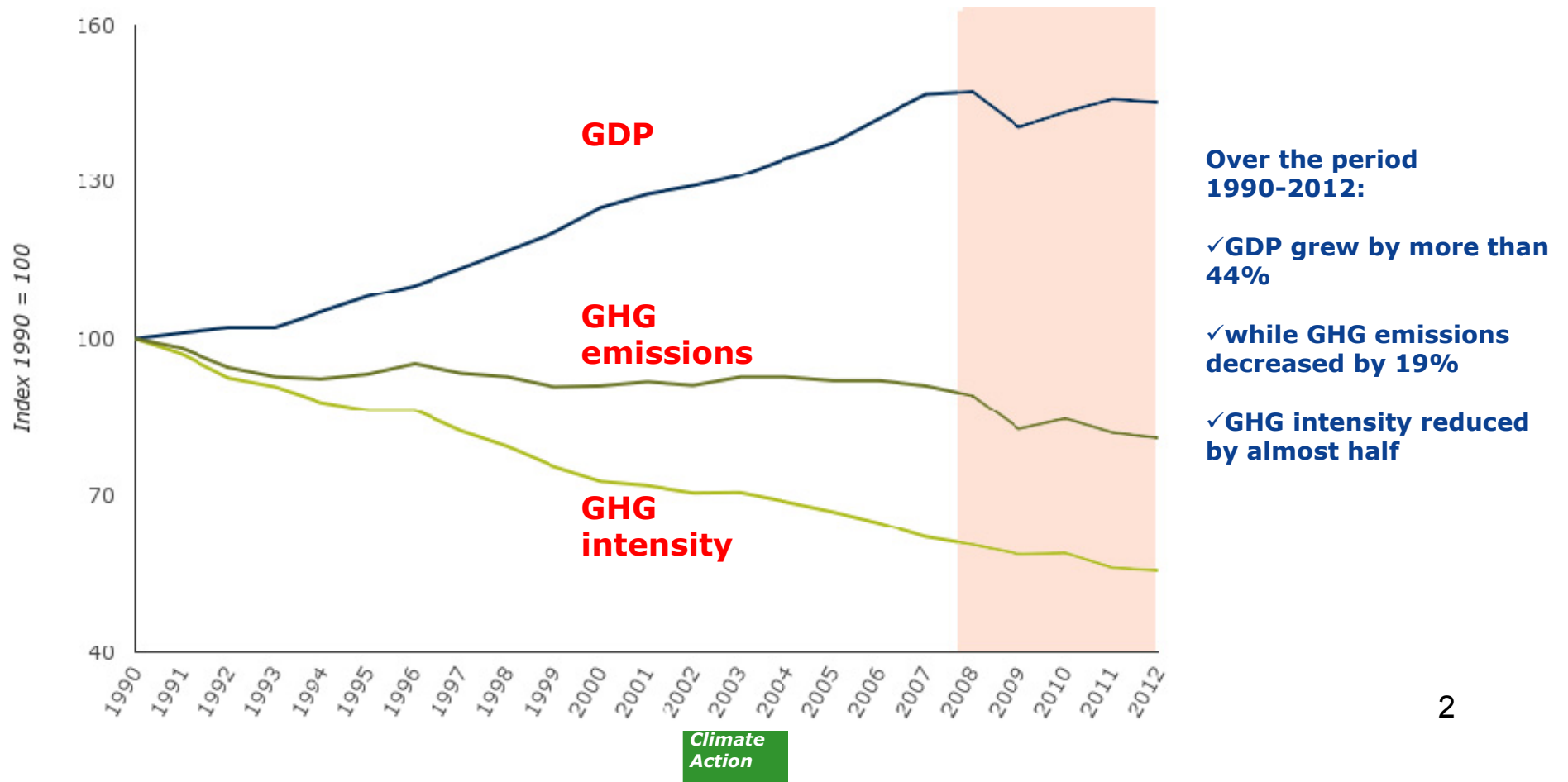
**FRAMEWORK**for**CLIMATE&ENERGY**

#EU2030

European Commission  
Directorate-General for CLIMATE  
ACTION

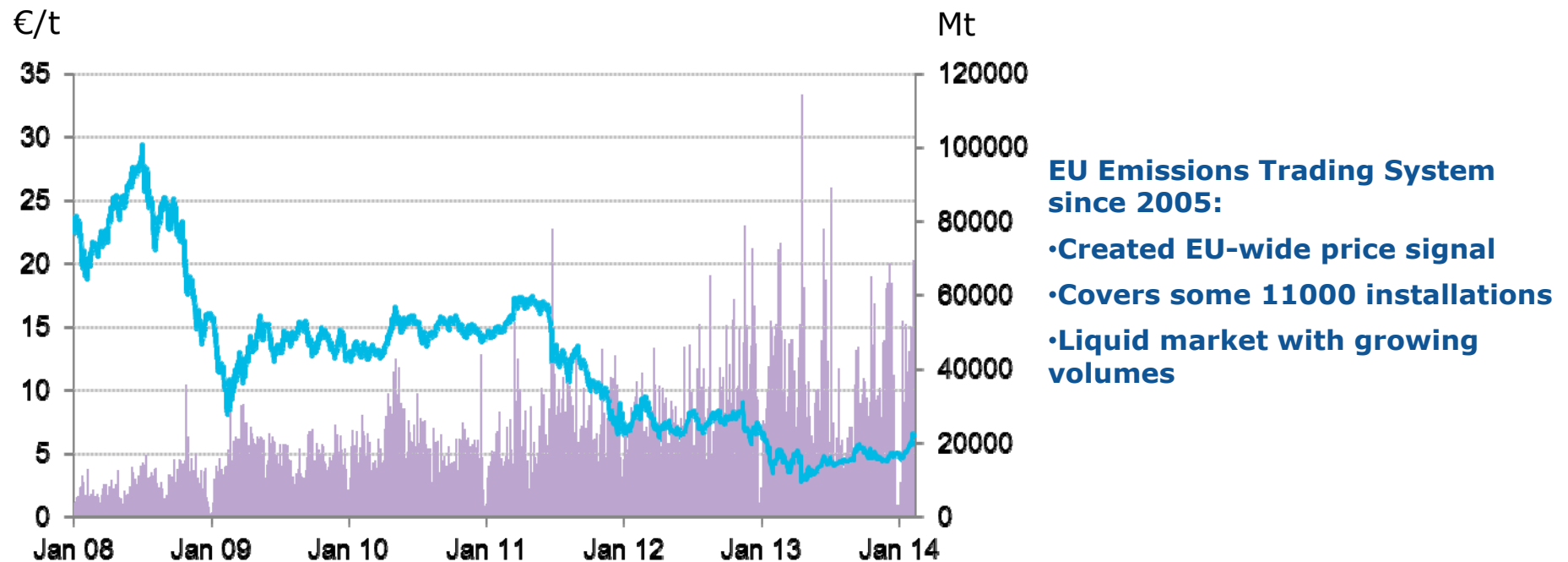
*Climate  
Action*

## EU greenhouse gas emissions have reduced while GDP increased



## Carbon pricing and European carbon market

- Latest report from the UN Intergovernmental Panel on Climate Change: importance of putting a price on carbon to help limit the increase in global mean temperature
- World Bank: "*Carbon pricing is the most efficient and cost effective means of reducing emission*"
- In 2014, about 40 national and over 20 sub-national jurisdictions have already implemented or scheduled emissions trading schemes or carbon taxes



Source: Bloomberg New Energy Finance



## **Substantially improved architecture as of phase 3 (agreed 2008, starting in 2013)**

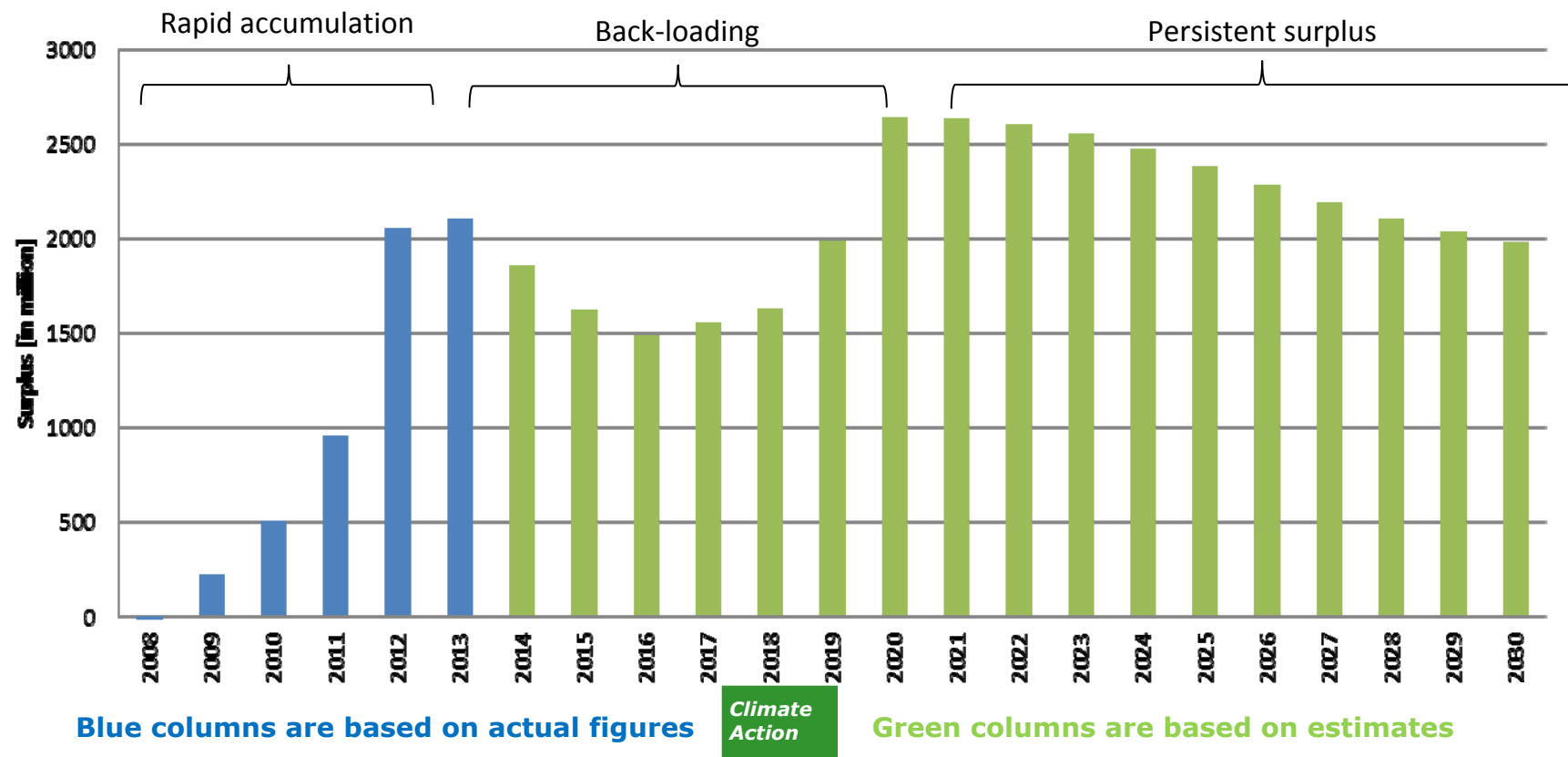
The EU ETS is working well from a technical point of view

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)**
- ✓ **Use of ETS revenue to fund clean energy project across the EU, including carbon capture and storage (€2.2 billion for projects in 20 Member States)**

## Then came the recession – and the structural reform debate

- Large and persistent market imbalance
- Back-loading of auction volumes started in March: but only first, temporary step



# The market stability reserve proposal

- **Dual purpose**

- address the current surplus

- If not addressed, the imbalance would profoundly affect ability to meet the medium-term target in a cost-effective manner

- make the ETS more resilient to possible future demand shocks

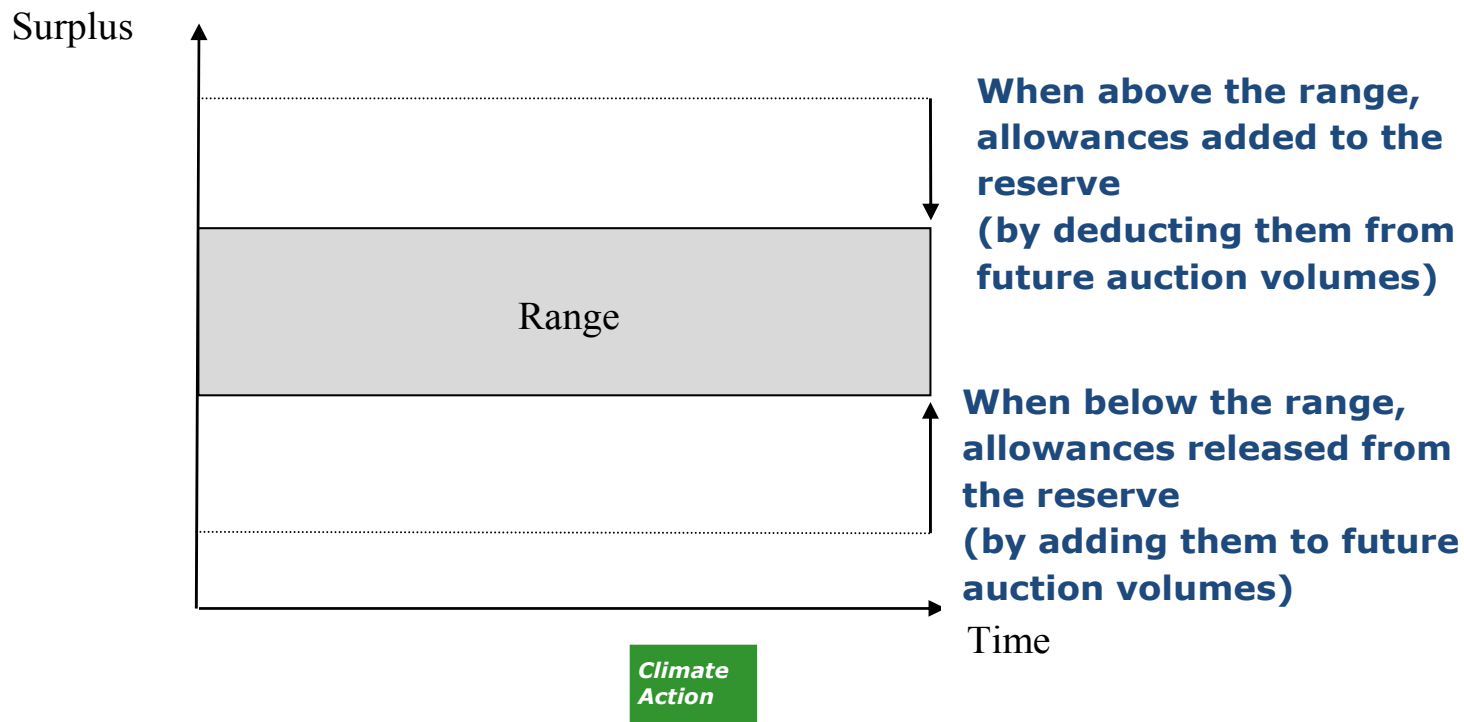
- **More flexible auction supply through**

- putting allowances in the reserve in case of too high surplus
- releasing allowances from the reserve when allowances get scarce

➔ Carbon price will be more strongly driven by the mid- and long-term emission reductions

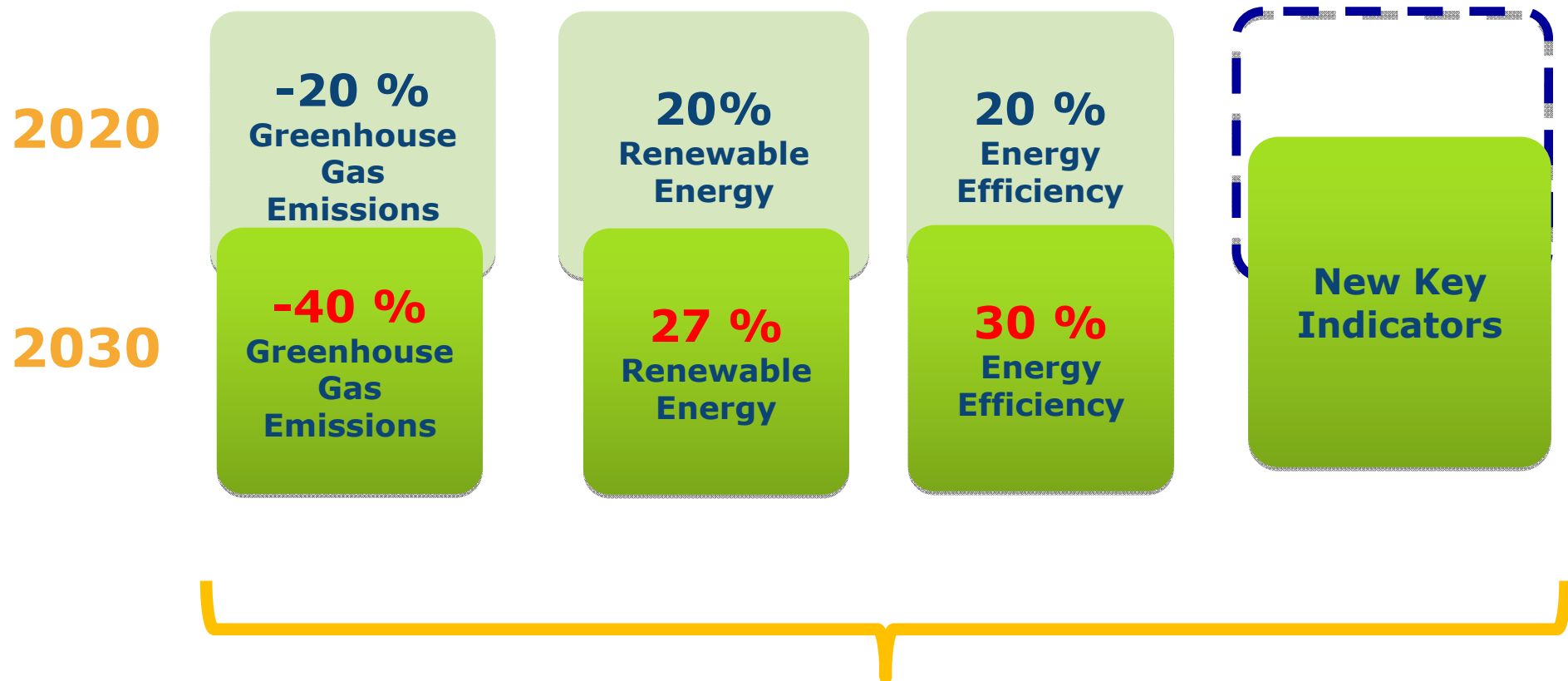
# How does a market stability reserve work?

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





# 2030 framework

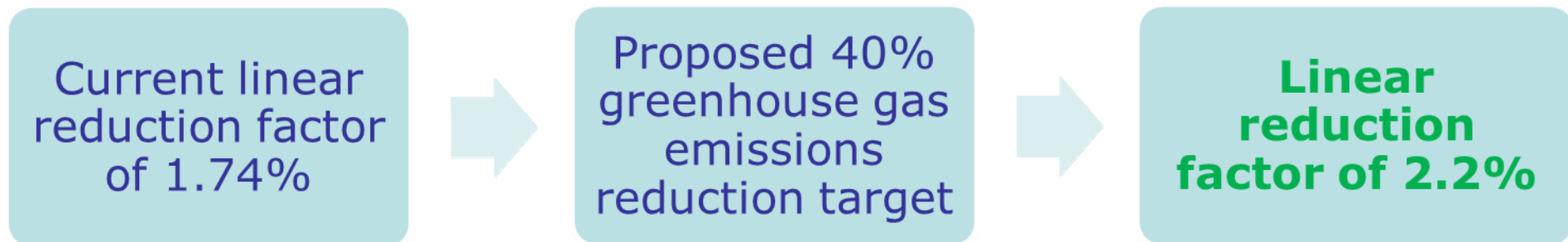


New governance system





## ETS related elements of the 2030 framework: Linear reduction factor determining the cap

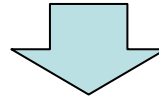


- Not part of the legal proposal for the reserve
- Insufficient to reduce the imbalance in the mid-term



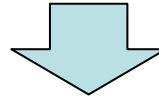
## **ETS related elements of 2030 framework: Containing the risk of carbon leakage**

Stable framework for this decade



**Carbon leakage list (for 2015 to 2019) with the current  
criteria and assumptions**

Continued but more focused free allocation after 2020,  
complemented with innovation support



**Consultation on how best to take into account the  
competitiveness concerns of industry**



# Timeline

- 2030 framework
  - October 2014: final decision on the framework
  - Legal proposals on 2030 framework rules will follow
- Market stability reserve is independent of how the 2030 framework rules will look like - no regret measure
  - Important to have a decision as early as possible



# Thank you

**More information, including on the expert meeting:**

**[ec.europa.eu/clima/policies/ets/reform/documentation\\_en.htm](https://ec.europa.eu/clima/policies/ets/reform/documentation_en.htm)**

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