

**I4CE**

INSTITUTE FOR  
CLIMATE  
ECONOMICS

Une initiative de la Caisse des Dépôts et  
de l'Agence Française de Développement

# THE EU ETS IN THE EU LOW-CARBON TRANSITION : NEGOTIATIONS FOR ITS POST-2020 REFORM

*Session 1 - The role of carbon pricing  
in the low-carbon transition*



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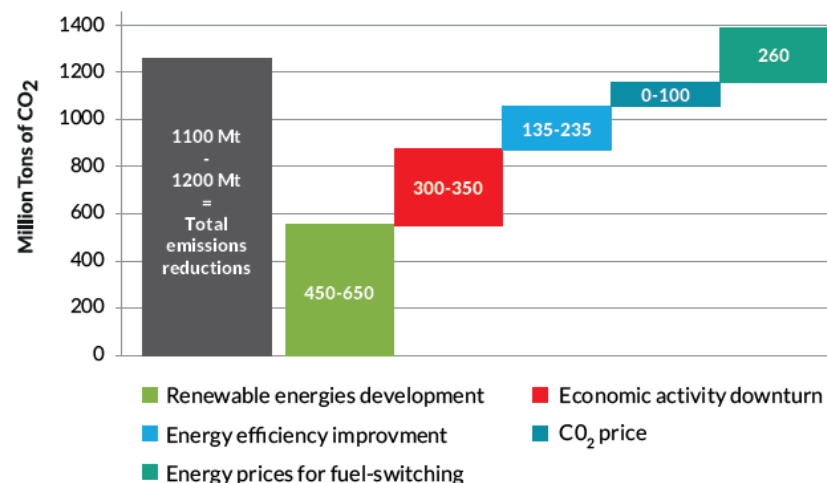
17th IEA-IETA-EPRI Annual Workshop on  
GHG Emissions Trading  
October 11, 2017

# In EU, complementary policies interactions with the EU ETS undermines its efficiency by 2020

## Complementary measures and EU ETS emissions

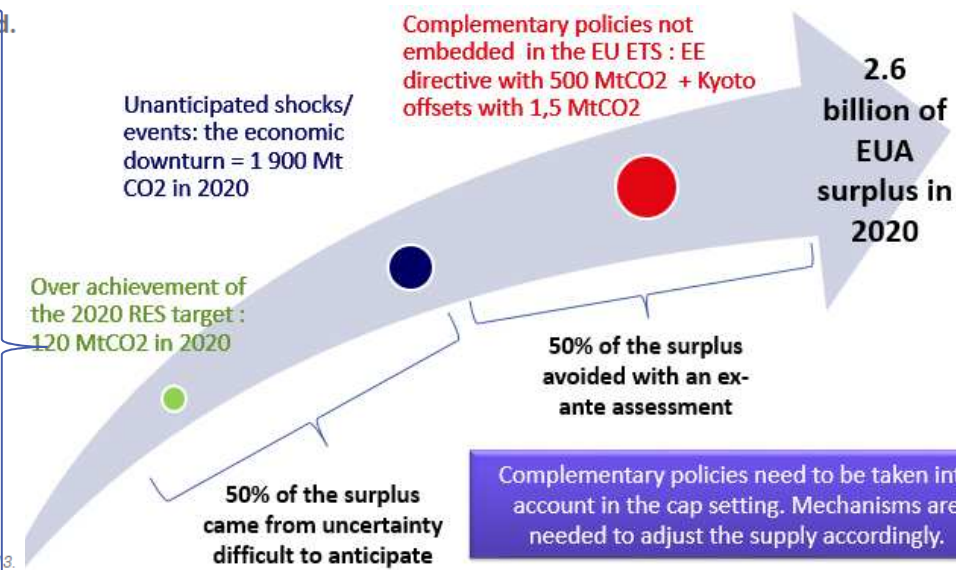
## Complementary measures and EU ETS allowances surplus

Figure 9 - Contributions to CO<sub>2</sub> emissions reductions in the 2005 to 2011 period.



Source: I4CE - Institute for Climate Economics, 2013.

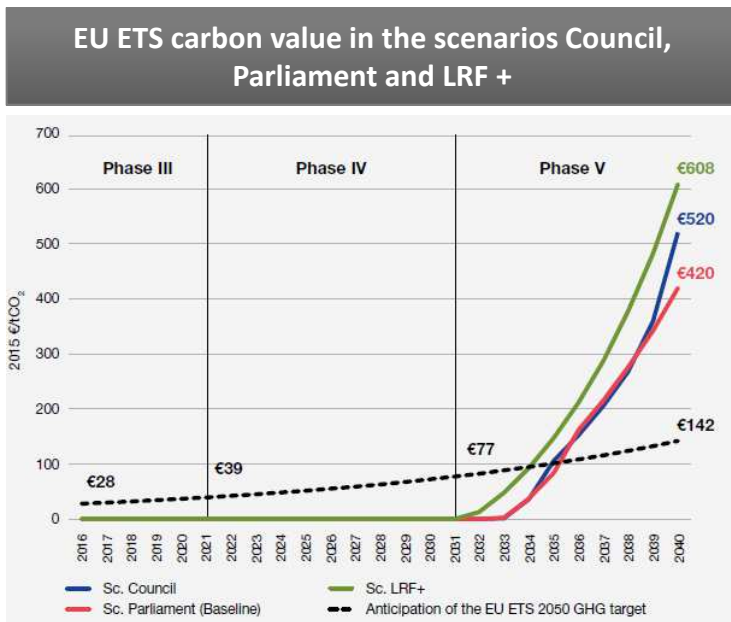
Between 2005 -11, the CO<sub>2</sub> price contributed to 1-100 MtCO<sub>2</sub> of EU domestic reductions and more than 1,100 MtCO<sub>2</sub> outside the EU ETS scope though CDM and JI projects ,



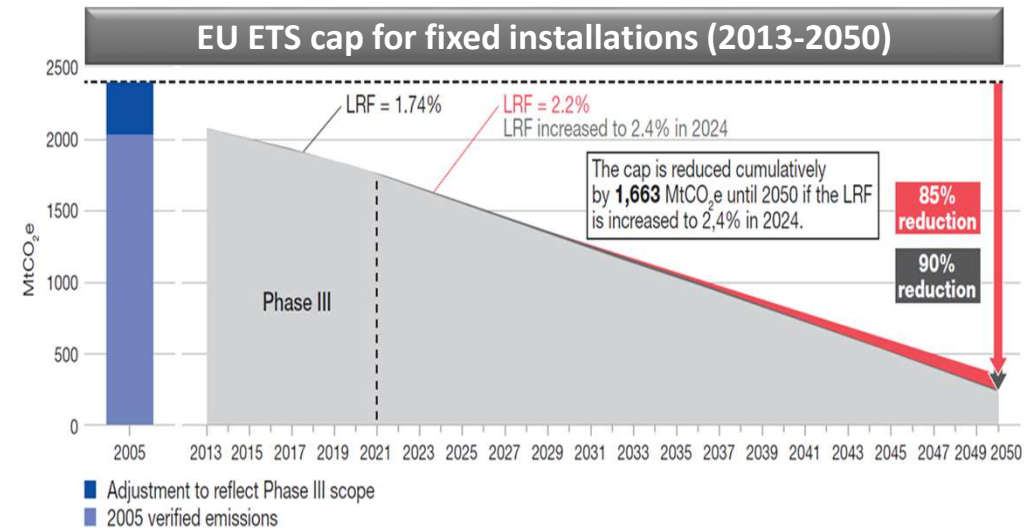
Source : I4CE, 2015

# By 2030, EU reform proposals are not sufficient to mitigate interactions between EU ETS and other energy policies

- The proposals in the trilogue to strengthen the EU ETS **fail to make it a driver of decarbonization** in energy and industry sectors over its Phase IV.
- **GHG emissions reductions notably driven by renewable energy and energy efficiency policies** are sufficient to respect the EU ETS target in Phase IV. The MSR is not sufficient to mitigate effects between the EU ETS and renewable energy and energy efficiency policies
- The EU ETS requires a **drastic decrease in GHG emissions**. From the early 2030s, the cost of abatement required to respect the EU ETS target increases significantly.



Source : Enerdata, 2017



**Interpretation of the graph:**

The grey area represents the EU ETS emissions cap in the case where the LRF is increased to 2.4% in 2024. The red area represents additional emissions in the cap in the case where the LRF is equal to 2.2% from 2021.

Source: I4CE, 2017  
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# Thanks for your attention

**“EU ETS - Last call before the doors close on the negotiations for the post-2020 reform”**



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