

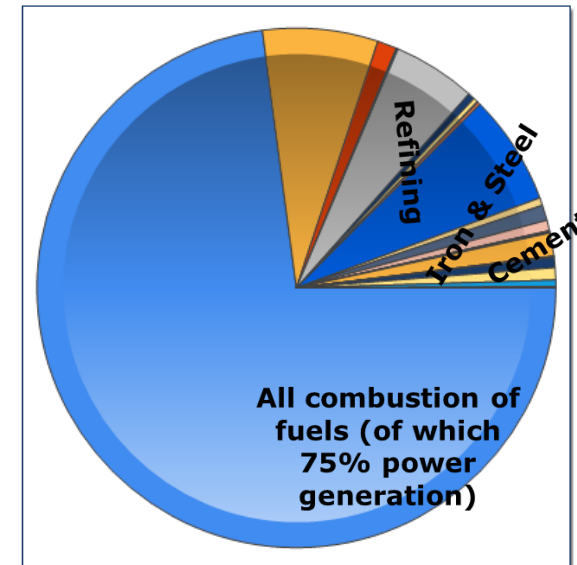


# **Key 2019 developments for the EU Emissions Trading System**

**European Commission, DG Climate Action  
Mette Quinn, Head of Unit  
'ETS Implementation & IT'  
*4 October 2019***

## EU ETS in place since 2005

- Essential to price pollution, carbon price today of ~€25/tonne
- Caps total emissions from >10 000 energy-intensive installations: power, steel, cement, lime, chemicals, paper, intra-EEA aviation; 31 countries - around 40% of EU CO<sub>2</sub> emissions
- Shift in 2013 to auctioning for electricity generation: >€42 billion auction revenue since 2013, Member States using 80% to tackle climate change, support low carbon innovation
- Free allocation for industry, addresses risk of 'carbon leakage'



# Long-term incentives for industry abatement

- Measures have been put in place with the revised EU ETS Directive of April 2018 to decisively strengthen the carbon market
- In particular the Market Stability Reserve is delivering
- Strength and the reliability of the carbon price signal matter most
- Reinforced carbon price signal increasingly an integral part of business and investment decisions
- Price signal and Innovation Fund will do its part, including for CCS, but question if additional incentives needed

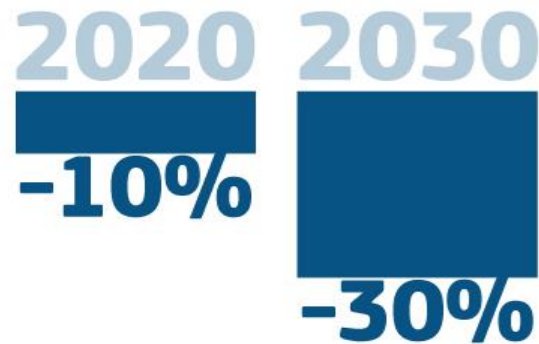
# Review of Market Stability Reserve



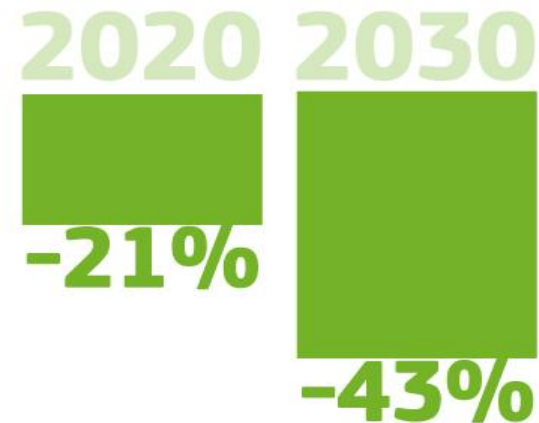
Main objective of the 1st review scheduled for 2021 to ensure that the reserve continues to fulfill its objective = market stability

# Prospects for increasing the 2030 target

EMISSION  
REDUCTIONS  
IN ETS AND  
NON-ETS  
COMPARED TO 2005



**NON  
ETS** INCLUDING  
ROAD TRANSPORT,  
HOUSING,  
AGRICULTURE  
etc.



**ETS** INCLUDING  
POWER/ENERGY  
SECTOR & INDUSTRY

*"We have to be more ambitious when it comes to our 2030 targets.[...]"*  
**Ursula von der Leyen**, President-Elect, Political Guidelines

# Role in the EU long-term climate strategy

- Carbon pricing has a crucial role to play in achieving climate neutrality
- EU ETS should continue to ensure emission reductions at the lowest possible cost
- Through the cap, it offers a long-term outlook into the emissions reduction pathway
- Offers support instruments for innovation and modernisation projects
- Increased ambition in a 2030 perspective may imply an increased role for the EU ETS also in this timeframe
- What share of additional effort to come from the EU ETS should be subject to impact assessment

## Extension to other sectors

*"[...]I will also propose to extend [the ETS] further to cover traffic and construction."*

**Ursula von der Leyen**, President-Elect, Political Guidelines

- To be discussed politically
- Should consider:
  - Distributive effects
  - Complementary policy effects: other policy measures already apply to these sectors
  - Design and operation
  - Potentially challenging administrative infrastructure
  - Strategic differences between sectors

# International credits after 2020

- International credits can be used until 2020, subject to qualitative and quantitative restrictions
- EU has a binding target to cut emissions domestically by at least 40% below 1990 levels by 2030
- After 2020, international credits are not eligible for compliance
- Use of international credits is not seen as compatible with the EU target for 2030
- Potential new demand could be created under ICAO's CORSIA, subject to an agreement on rules regarding the eligibility of units



**Thank you for your attention**