

Parliament backs planned temporary boost to CO2 permit price



Plans to freeze the auctioning of some CO2 permits to encourage firms to invest in low-carbon innovation was backed by Parliament on Wednesday 3 July, after it narrowly rejected them in April. This time MEPs set stricter conditions for a freeze. The measure aims to restore the incentive effect of the Emissions Trading System (ETS), which is designed to cut greenhouse gas emissions and tackle climate change.

The growing surplus of emission allowances – due to oversupply and the economic slowdown – has seen the carbon price fall well below levels estimated when the EU Emissions Trading System was created. At the Environment Committee's recommendation, Parliament backed plans to allow the Commission to “backload” – or delay - the timing of a portion of credits to be auctioned.

"We now have a mandate, as Parliament endorsed our proposals. We will start negotiations with EU ministers as soon as possible and seek a common solution that will allow the ETS to fulfil its purpose," said German Social Democrat Matthias Groote, who is steering the legislation through Parliament.

"Across all continents, Europe's experience of a market-based system for reducing CO2 emissions is being considered, and seen as a credible option, as most recently in China. We shall not let the ETS be the victim of short-term concerns. Structural reform of our Emissions Trading System will follow to ensure it remains the cornerstone of EU's climate policy," he added.

Avoid companies relocating outside the EU

In approved amendments tabled by the environment committee, MEPs say the Commission "may, in exceptional circumstances" adapt the timing of auctions, provided an impact assessment shows the sectors concerned will not face "significant risk" of companies relocating outside the EU. However, "The Commission shall make no more than one such adaptation for a maximum of 900 million allowances," they add.

Background

The ETS, a carbon market created in 2005, set an overall emissions ceiling which is gradually being reduced over the long term. By 2020, emissions from industry sectors covered by the ETS will be 21% lower than in 2005.

Beneath this ceiling, companies receive or buy credits auctioned by member states. One credit corresponds to one tonne of CO2 emissions. Companies may also sell on unused credits. Limiting the supply of credits ensures that they have value, so the scheme rewards companies that invest to limit emissions.