

Revision of the emissions trading system: Council agrees its position

On 28 February the Council agreed its negotiating position (general approach) for the review of the emission trading system (ETS). The ETS is one of the main tools to **reduce greenhouse gas emissions**. The review will contribute to the EU's goal of cutting its emissions by at least 40% by 2030, as committed under the **Paris Agreement** on climate change.

Now that the Council has agreed its position, negotiations with the European Parliament can start with the aim of reaching an agreement on the final text.

"This is important for us, for our planet and for future generations. The Paris Agreement was a landmark achievement, but we need to put words into action. A better functioning ETS will reduce emissions further. The EU is delivering on its promises, because it cares about a better future for all."

Jose A. Herrera, Minister for the Environment of Malta and President of the Council

The EU ETS

The emissions trading system, launched in 2005, works by putting a **limit** on the total of emissions from high-emitting industry sectors and power plants. Within this limit, which is reduced each year, companies can **buy and sell emission allowances**. Each allowance gives them the right to emit one tonne of CO₂, the main greenhouse gas, or the equivalent of another greenhouse gas. This helps create incentives for companies to cut their emissions in a cost-effective way.

Although **auctioning** is the default method for allocating emission allowances to companies, some sectors of industry receive a share of allowances for free. **Free allocation** is carried out on the basis of performance benchmarks, which reward best practice in low-emission production.

Timeline and next steps

The **European Council**, in its conclusions of October 2014, established the main elements of the review of the EU ETS. Based on these agreed guidelines, the **Commission** presented its proposal for a directive in July 2015.

As the proposal is subject to an ordinary legislative procedure, it needs to be discussed by the **Council** and the **European Parliament** to agree on a final text. The European Parliament voted its amendments in plenary on 15 February 2017. Now the Council has agreed on a general approach, negotiations can start.