



EU ETS : ONE DECADE OF EXPERIENCE AND CHALLENGES FOR THE NEXT DECADE

"Carbon pricing: challenges for the next decade" side-event

IETA/WBCSD Pavilion – COP 21, PARIS

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December 1st, 2015

Exploring the EU ETS beyond 2020 : the challenges behind its reform

Where are we in Europe ?

- The 2020 EU ETS emissions reduction target has been overachieved:
 - 24 % in 2014 /2005 levels (the 2020 EU ETS target = -21%)
- But without a credible long-term climate target, the growing surplus of allowances undermines the functioning of the EU ETS. Indeed, complementary policies (EE and offsets) have played a major role in the EU ETS surplus.

What are main challenges facing the EU ETS by 2030?

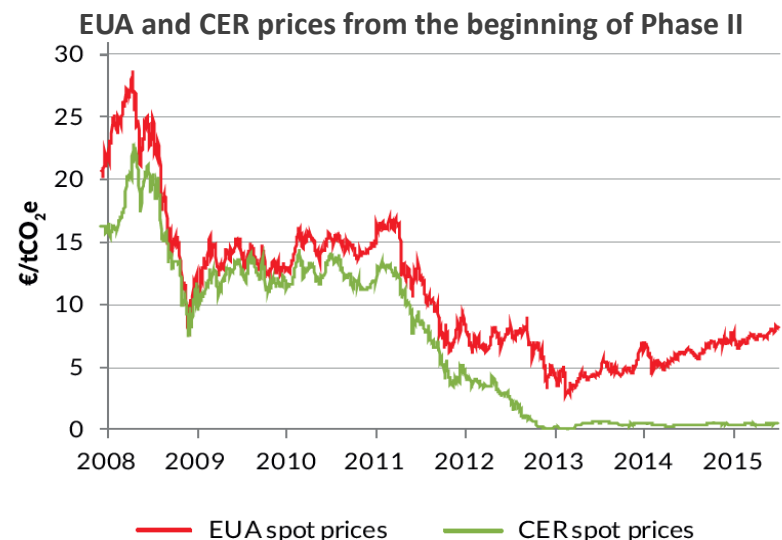
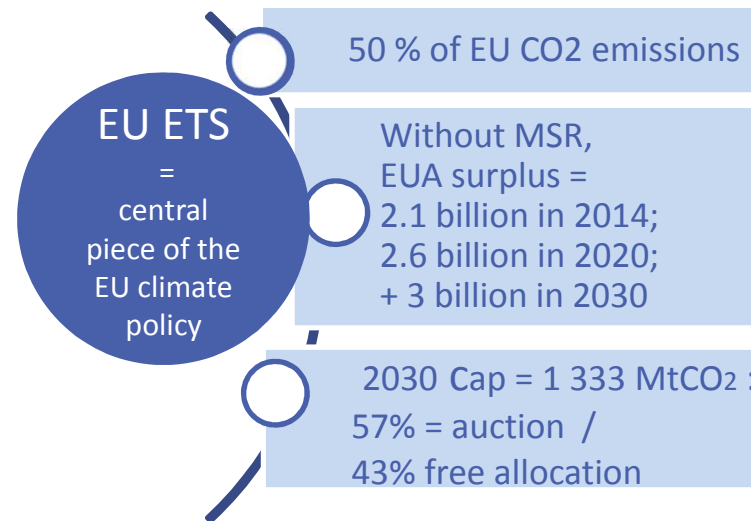
- Defining a 2030 ambition, fixing a credible carbon price and supporting a cost-effective decarbonisation pathway in line with its ambition;

Next step : the EU ETS reform package

3 pieces to be implemented from 2014 to 2030.

- **The backloading measure** : approved in Feb. 2014. → No impact
- **The market stability reserve** - Introducing adjustment in the supply is necessary to support its ambition: approved in Sep. 2015 and will come in to force in 2018. → The MSR is welcomed to restore its short term scarcity and improve its resilience to external shocks.
- **A new climate ambition**: the EU Commission proposes a new 2030 target : -43% in 2030/ 2005 levels.

- **I4CE's view**: On track to recalibrate the EU ETS for a cost-effective decarbonisation by 2030, but it would require an enhanced governance.



SOURCE: I4CE BASED ON I4CE DATA 2015