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

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

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