

# Improving the EU ETS for the climate

## NGO perspective on the ETS review

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## Who we are

- Climate Action Network (CAN) is an international coalition of over 400 NGOs united by the common goal to stop dangerous, human-induced climate change
- CAN-Europe currently represents 100 member organisations in the EU25 and beyond
- CAN-Europe and its members have been following the formulation and implementation of EU climate change policies and act as observers at the UN negotiations
- The Brussels office aims to act as a bridge between the national groups and the European institutions.



# 1. Purpose of the review

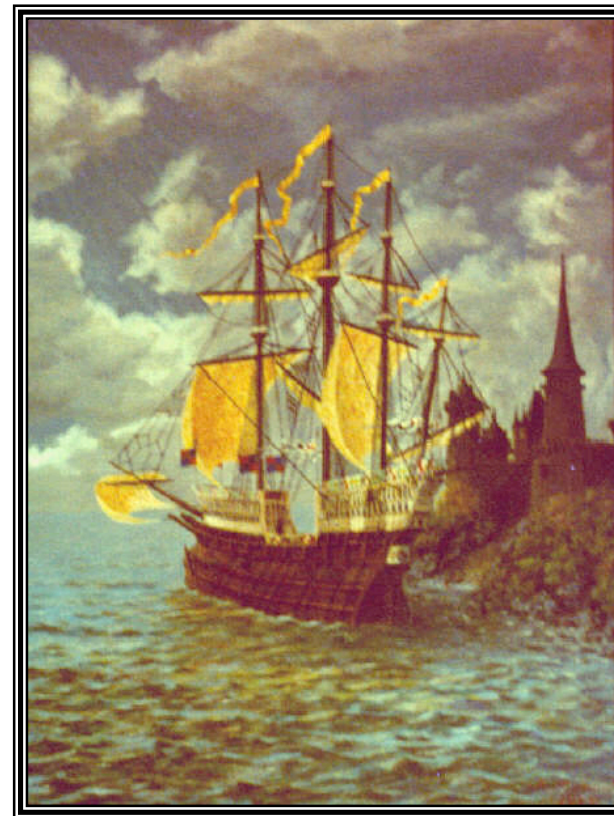


## Reminder: importance of the ETS

- ETS main EU tool to achieve reductions
- Internalise cost of climate change
- Send price signal to businesses
- Start transformation of EU economy
- Send signal: Reductions are possible!

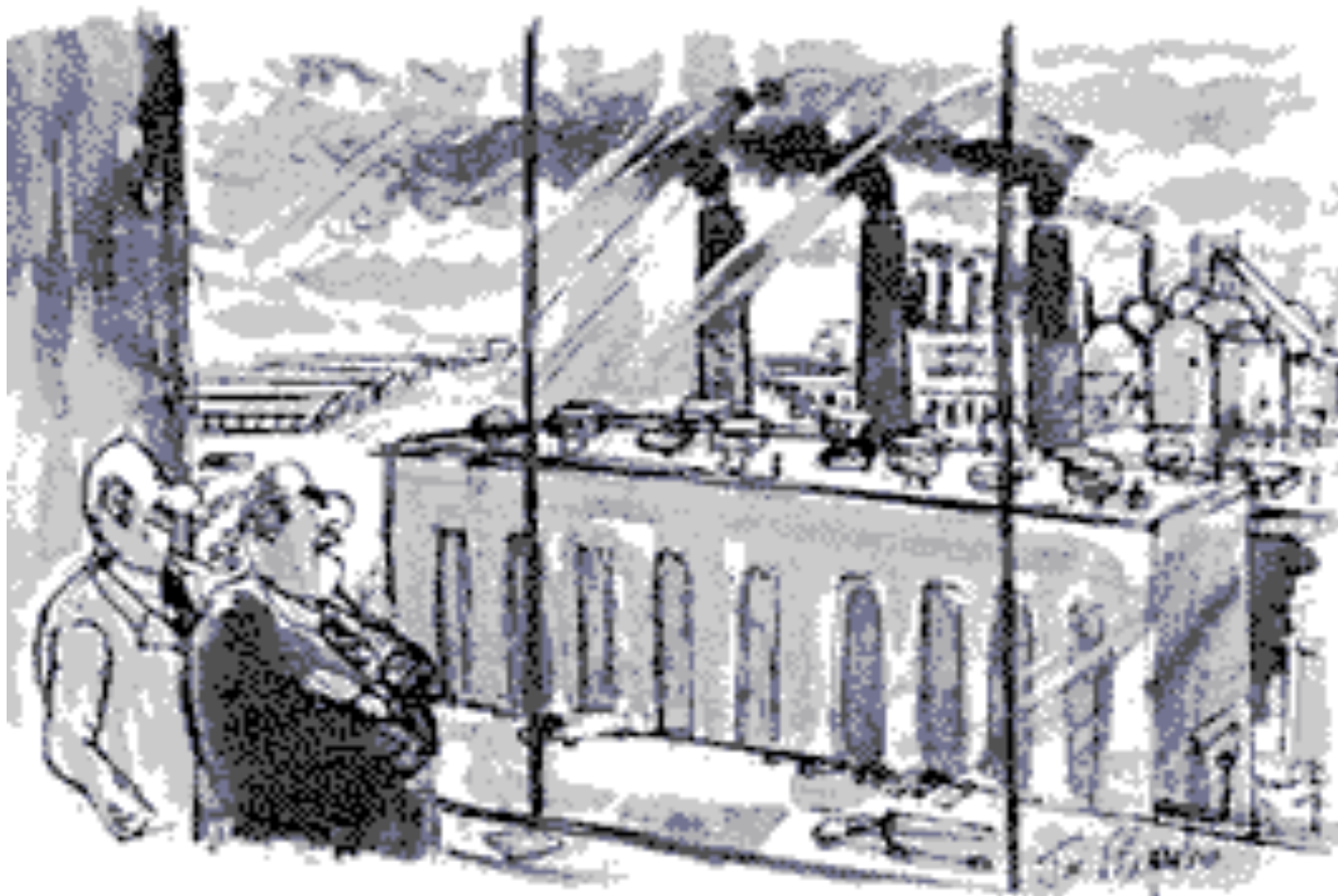
## What is the review about?

- Improve on the basis of the main lessons learnt so far
- Make the ETS fit for a post-2012 world: deeper reductions



## 2. Lessons learnt so far

What has the ETS done so far?



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### What has the ETS done so far?

#### Positive lessons from NAPs 1&2:

- + The principle of absolute caps established
- + Carbon price has reached the board rooms
- + Initial emission reductions are being realised
- + ETS operation has supported developments in other parts of the world (USA, Australia, et al) ( could be vice versa for review)



## 2. Lessons learnt so far



### What has the ETS done so far?

#### Negative lessons from NAPs 1&2:

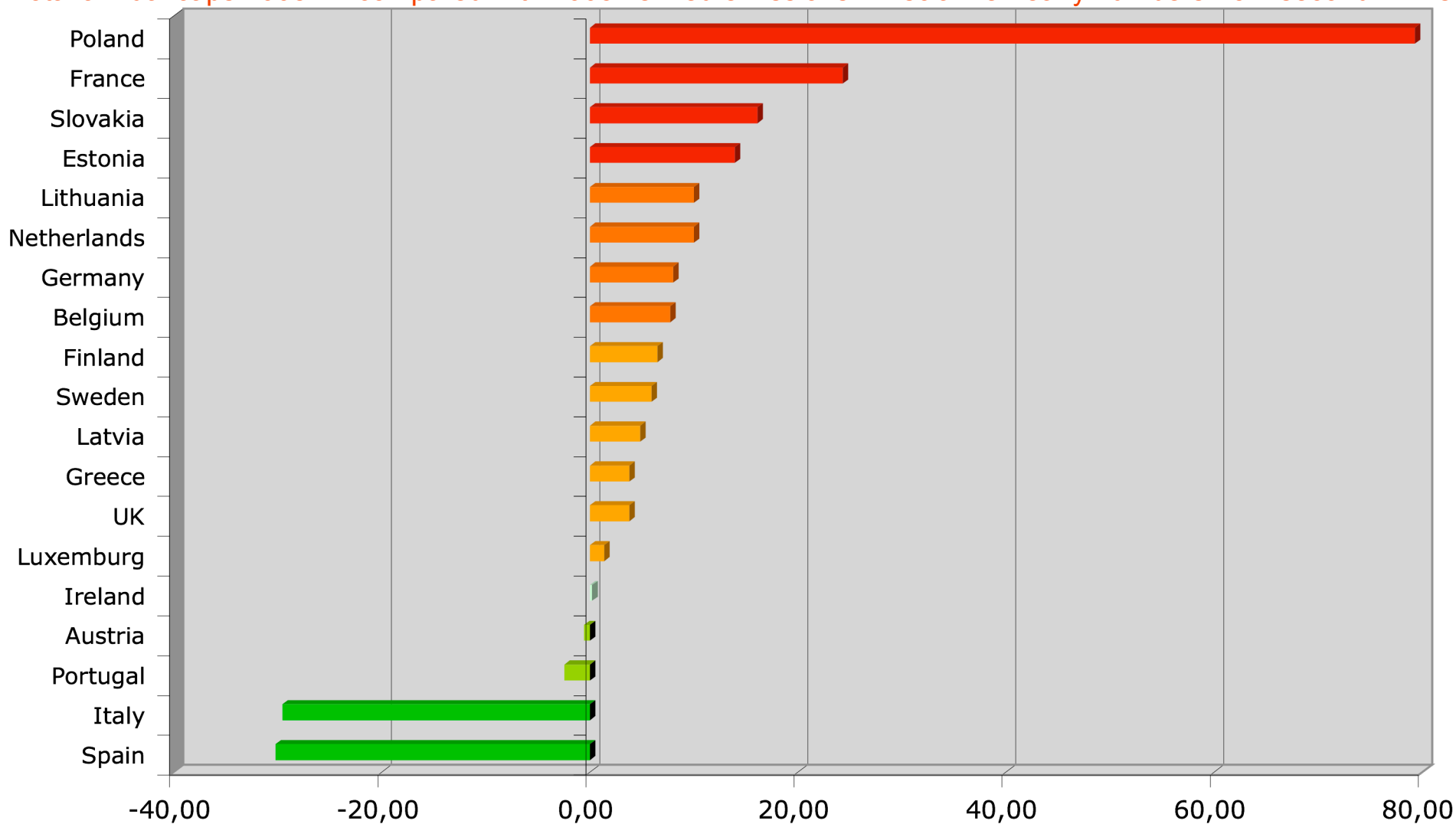
- Potential not realised so far
- Many EU governments are giving out too many allowances
- Allocation rules often give wrong incentives (eg. coal over gas)
- Wrong signals make future reductions more expensive
- Power sector has made good (windfall) profits
- Process transparency insufficient



## 2. Lessons (not) learnt so far



Total annual caps 2008-12 compared with 2005 verified emissions - Disclaimer: early numbers from second NAPs





### 3. Key conclusions for the review



#### A: Targets:

#### **ETS must enshrine the principle of continuous reductions**

Current rules on target setting are insufficient. Need strengthening and harmonising. Longer term signals are required.



#### B: Allocation:

#### **Allocation mechanism must ensure internalisation of carbon: relatively more pollution = relatively higher cost**

Auctioning is the most simple and effective means of doing that.





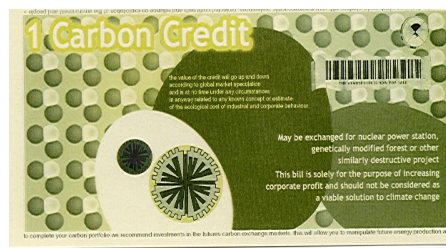
### 3. Key conclusions for the review



C: External credits:

**ETS must have quantitative and qualitative limits on JI/CDM use**

To ensure domestic reductions and technology signal



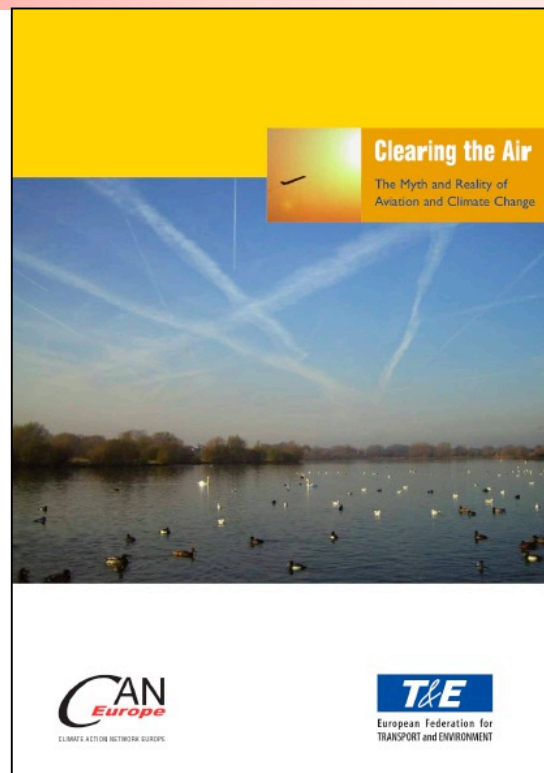
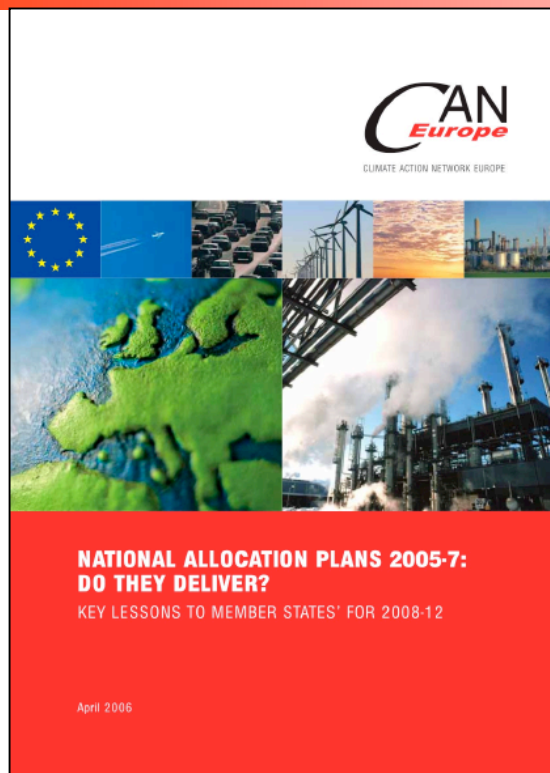
D: Expansion:

**A dedicated emissions trading scheme for aviation as part of a package**

Aviation can do more than others, privileged status must end.



# FURTHER READING



CAN-Europe evaluation of NAPs 2005-7

Clearing the Air - The Myth and Reality of Aviation and Climate Change

IEEP report on inclusion of non-CO2 gases

<http://www.climnet.org/>

time for questions...



Thank you for your attention!

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