



**EUROPEAN COMMISSION**

**PRESS RELEASE**

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## **Emissions trading: Commission presents options to reform the European carbon market**

The European Commission is taking two important steps to address the growing supply-demand imbalance of emission allowances in the EU emissions trading system (EU ETS). As an immediate first step to address the rapid build-up of the surplus of emissions allowances, the Commission made a formal proposal to revise the auction time profile and delay ("back-load") the auctioning of 900 million allowances in the third phase of the EU ETS starting next year. The Commission also adopted today a report on the state of the European carbon market which sets out a range of possible structural measures that can be taken to tackle the surplus.

Connie Hedegaard, European Commissioner for Climate Action, said: *"The Commission wants an even more robust European carbon market that provides a stronger driving force for carbon markets elsewhere. Our carbon market is delivering emissions reductions. But because of the oversupply in the market, the ETS is not driving energy efficiency and green technologies strongly enough. This is bad for Europe's innovation and competitiveness. This is why as a first immediate step, we propose to delay the auctioning of 900 million allowances in the next three years. We must not flood a market that is already oversupplied. Market operators must have clarity before year-end on this. At the same time, the Commission presents options for possible structural measures that can provide a sustainable solution to the surplus in the longer term."*

The surplus of emission allowances has primarily built up because the economic crisis has reduced industrial emissions of greenhouse gases by more than anticipated, leading in turn to lower demand for allowances from businesses. The surplus is expected to continue in the third phase of the system, which will run from 2013 to 2020.

### **Back-loading of auction volumes as a necessary first step**

From 1 January 2013, when the third phase of the EU ETS begins, auctioning will become the main method for allocating emission allowances to businesses. Last July the Commission published the draft of a future amendment to the EU ETS's Auctioning Regulation which would delay the auctioning of a certain amount of allowances (see [IP/12/850](#)). Following initial discussions with the Member States in the EU Climate Change Committee and a public consultation, the Commission proposes to reduce the number of allowances to be auctioned in the years 2013 to 2015 by 900 million and to increase the number auctioned late in phase 3 by the same amount.

Through this 'back-loading' approach, fewer allowances will be offered in auctions in the short term, while demand remains very low, and more later, when demand is likely to have recovered. Further information on the impacts is provided in an impact assessment (see below).

## **Launching a broad debate on potential structural measures**

Today's carbon market report outlines a shortlist of six options and invites stakeholders to express their views. Both the European Parliament and the Council asked the Commission to examine options for structural action that could be adopted as soon as possible, including a permanent withholding of the amount of allowances necessary to eradicate the surplus.

Any legal proposal for structural measures put forward by the Commission in the light of the public debate will be subject to a public consultation and full assessment of its impacts.

## **Background: EU ETS and phase three**

The EU ETS currently covers about 11,000 industrial installations and some 40% of the EU's emissions. From this year the aviation sector is also covered.

In the third phase, emissions from industrial and power installations have to be cut to 21% below 2005 levels by 2020. The main changes in the third phase are:

- Introduction of a single, EU-wide cap on emissions, in place of the current system of 27 national caps;
- Auctioning becomes the main method for allocating allowances, replacing free allocation. In 2013 more than half of all allowances will be auctioned, and this share will rise progressively each year;
- For allowances still given away for free, introduction of harmonised allocation rules based on ambitious EU-wide benchmarks of emissions performance.

More information on the EU ETS can be found at:

[http://ec.europa.eu/clima/policies/ets/index\\_en.htm](http://ec.europa.eu/clima/policies/ets/index_en.htm)

Documents, including the impact assessment of the back-loading proposal, can be found at:

[http://ec.europa.eu/clima/policies/ets/reform/index\\_en.htm](http://ec.europa.eu/clima/policies/ets/reform/index_en.htm)

See also [MEMO/12/861](#) (questions & answers)

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