

THE EU EMISSION TRADING SCHEME: FIRST EVIDENCE ON PHASE 3

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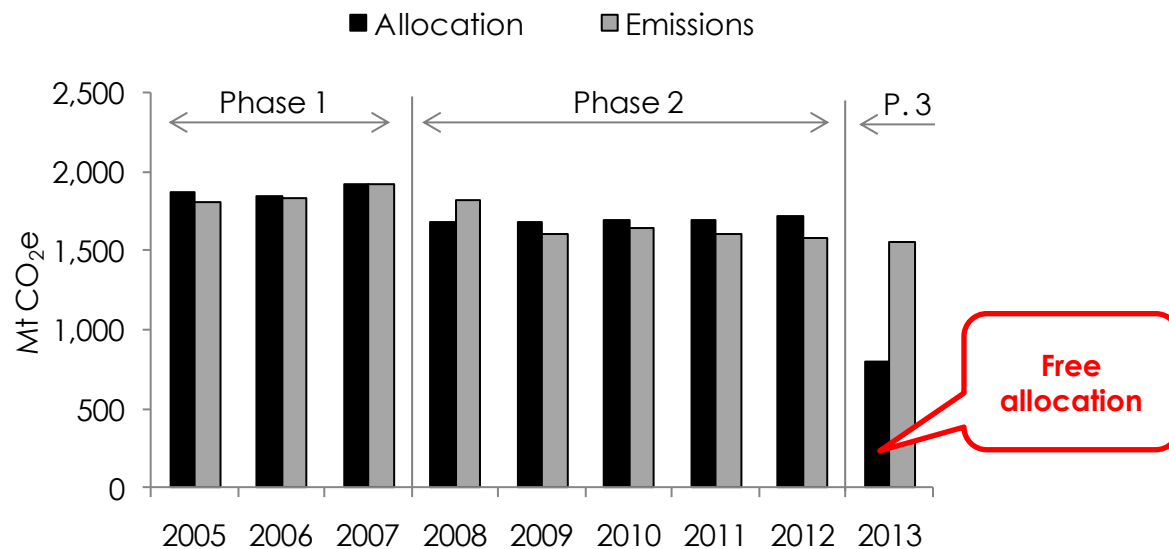
Claudia Kettner

- The EU Emission Trading Scheme (EU ETS) is a key instrument in European climate policy
- Largest cap-and-trade scheme worldwide – Covers more than 50% of EU CO₂ emissions
- Phase 1 (2005 - 2007) & Phase 2 (2008 - 2012)
 - Allocation of allowances on Member State level in National Allocation Plans (NAPs)
 - Grandfathering as allocation principle
 - No banking between Phase 1 and Phase 2
 - Banking of allowances between Phase 2 and Phase 3

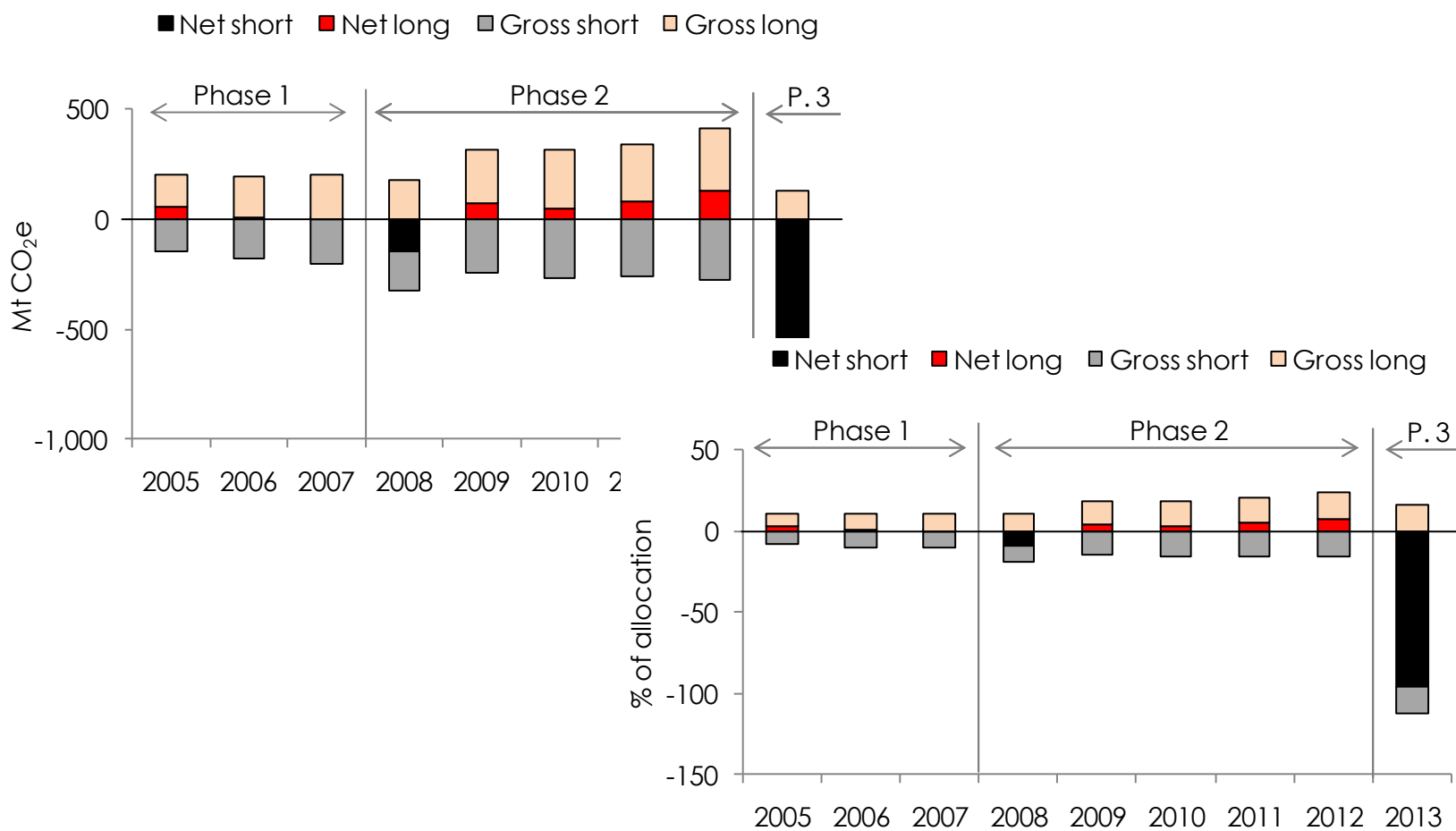
- Phase 3 (2013 - 2020)
 - EU wide allocation
 - Changes in allocation principles
 - Power sector : Full auctioning
 - “Normal” sectors: 80% free allocation in 2013 (30% in 2020)
 - “Exposed” sectors: 100% free allocation
 - Free allocation is based on EU-wide sectoral benchmarks
 - Liquidity management
 - Protection against excessive price increases
 - Backloading of allowances

- European Transaction Log (EUTL)
 - Allocation and emissions data on installation level
 - Data on surrendered allowances (by allowance type) on installation level
 - Coverage
 - More than 11,000 installations
 - EU-28 (except HR), NO, LI
 - 2005 - 2013
- Analysis of allocation and emissions
 - Sample of 8,000 installations
 - Scope: EU-28 (except BG, HR)

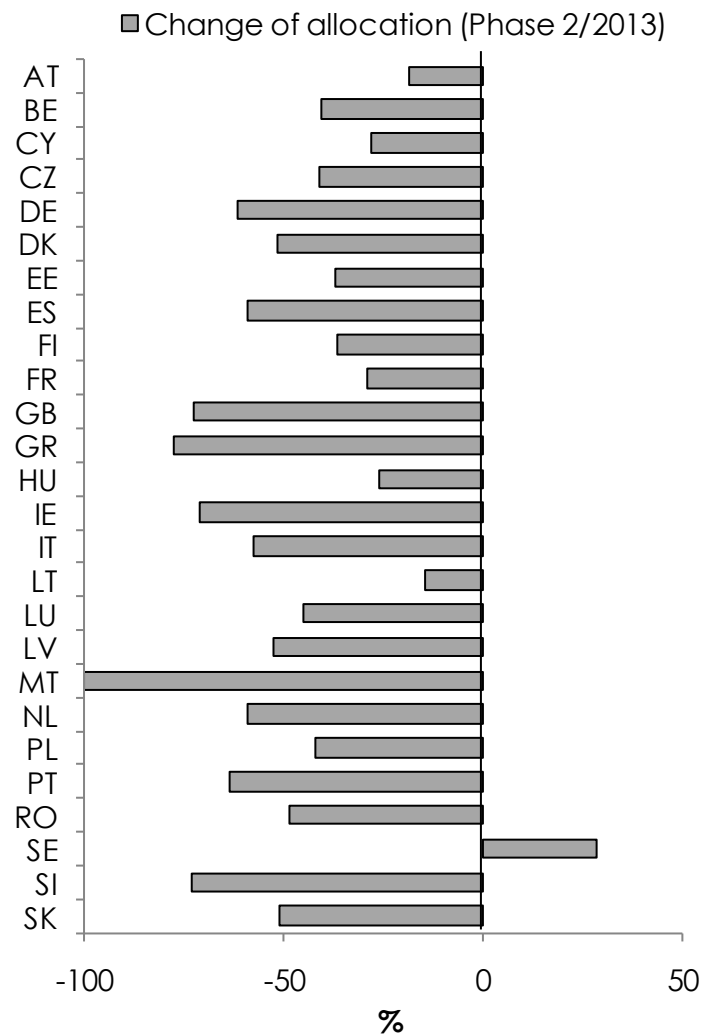
Empirical Evidence Allocation and Emissions 2005 – 2013 (I)



Source: EUTL

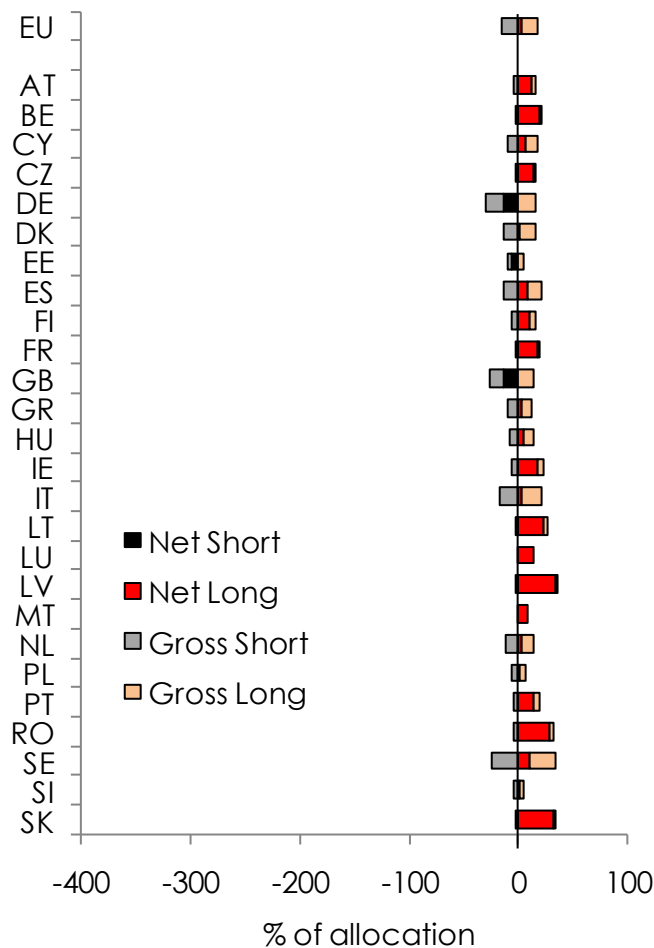


Empirical Evidence – MS Level Phase 2 vs. 2013 (I)

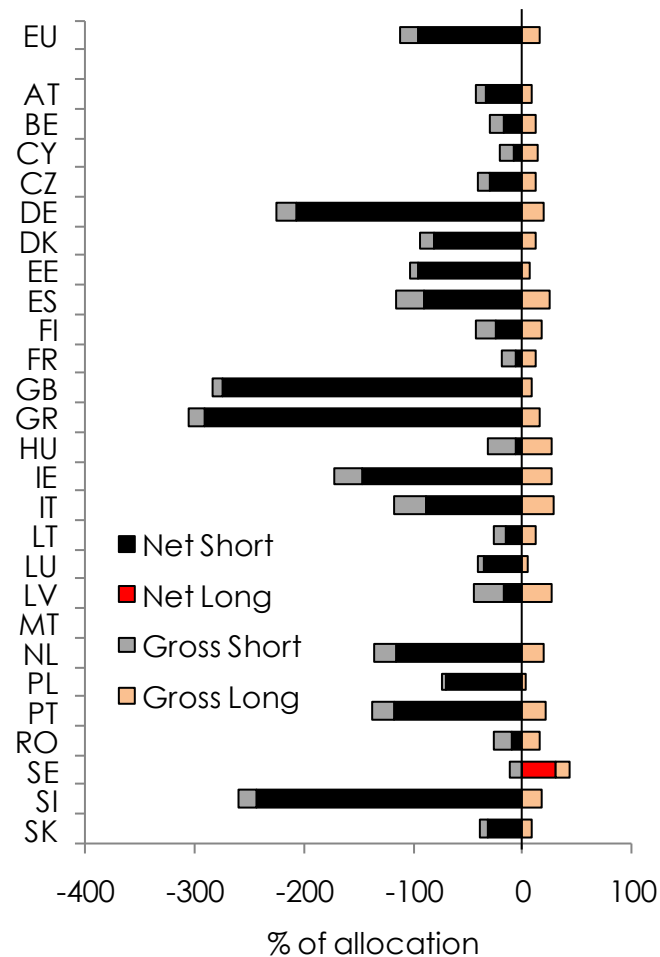


Source: EUTL

Phase 2 (ø 2008/2012)

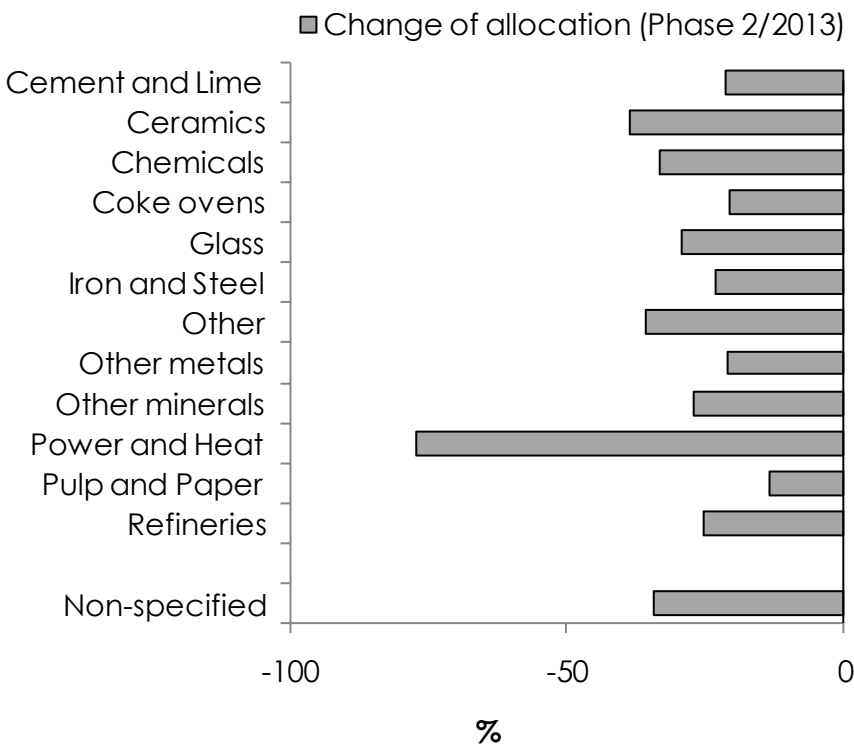
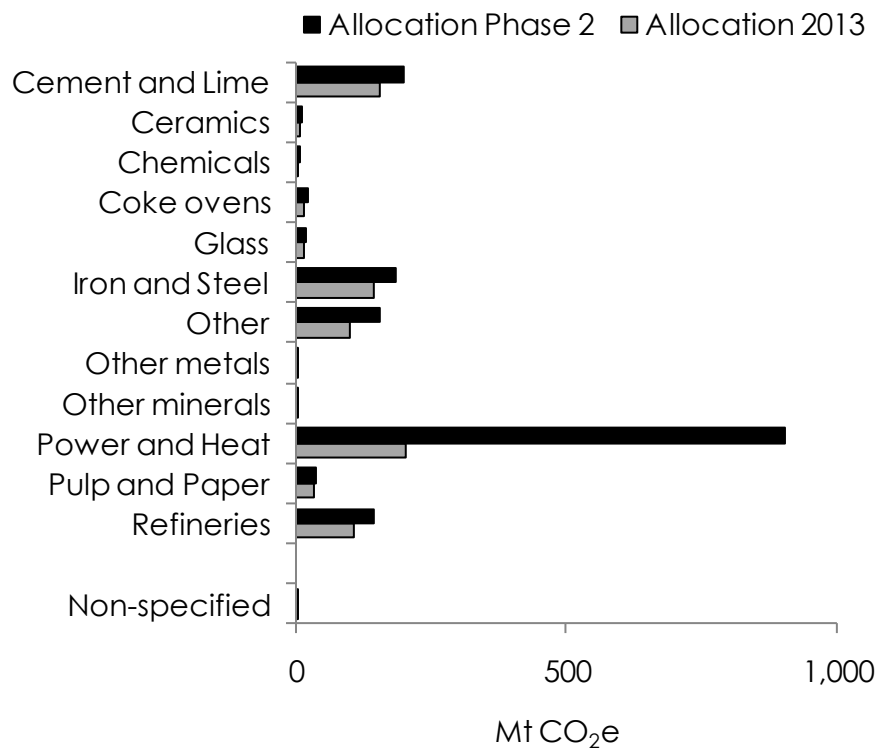


2013



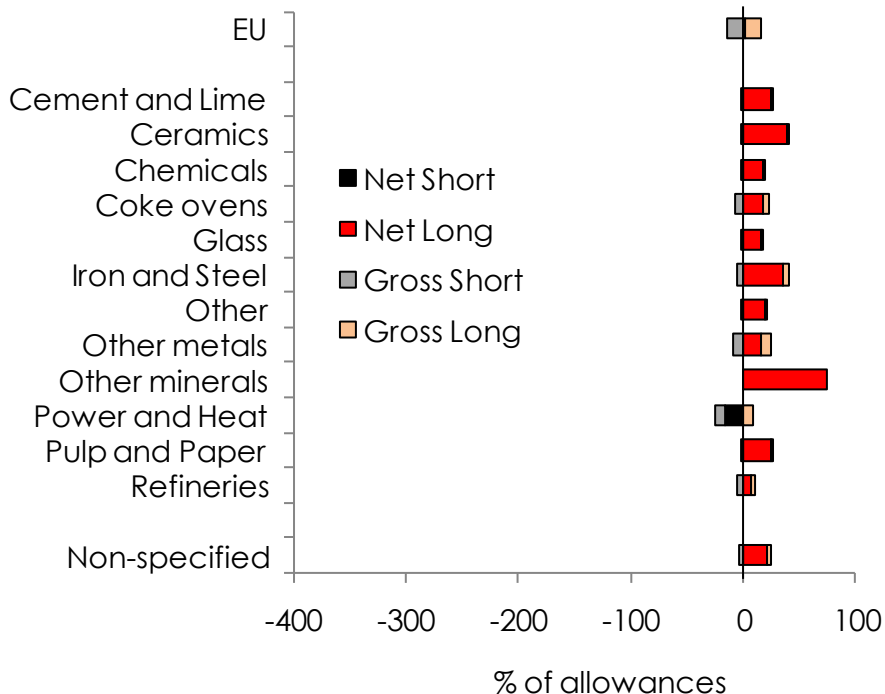
Source: EUTL

Empirical Evidence – Sector level Phase 2 vs. 2013 (I)

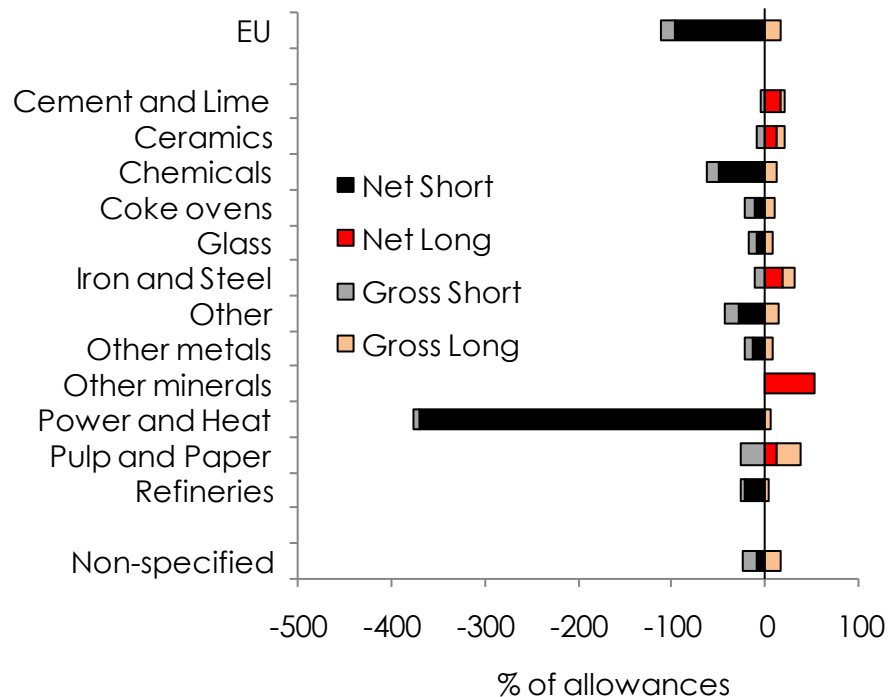


Source: EUTL

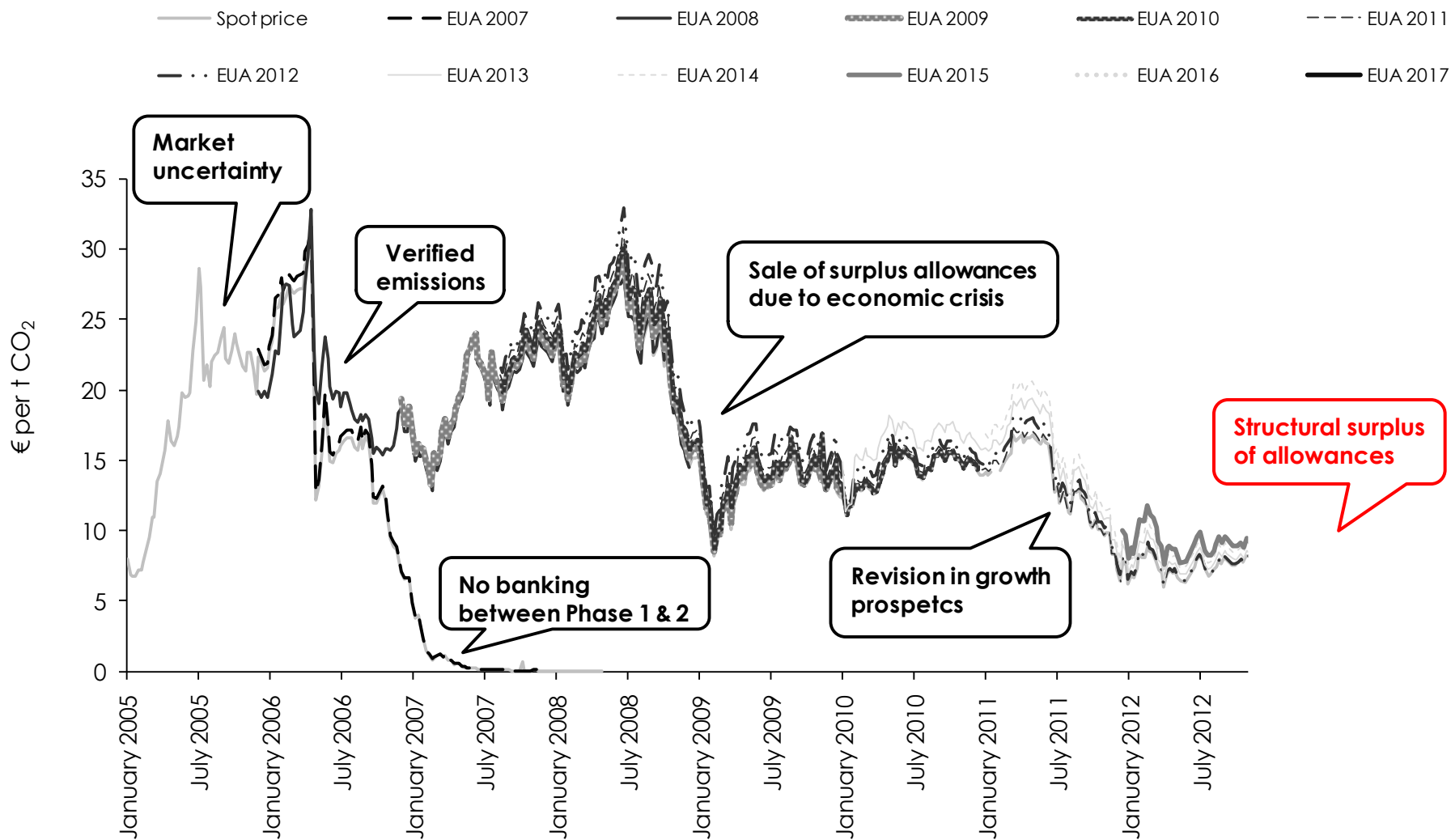
Phase 2 (ø 2008/2012)



2013

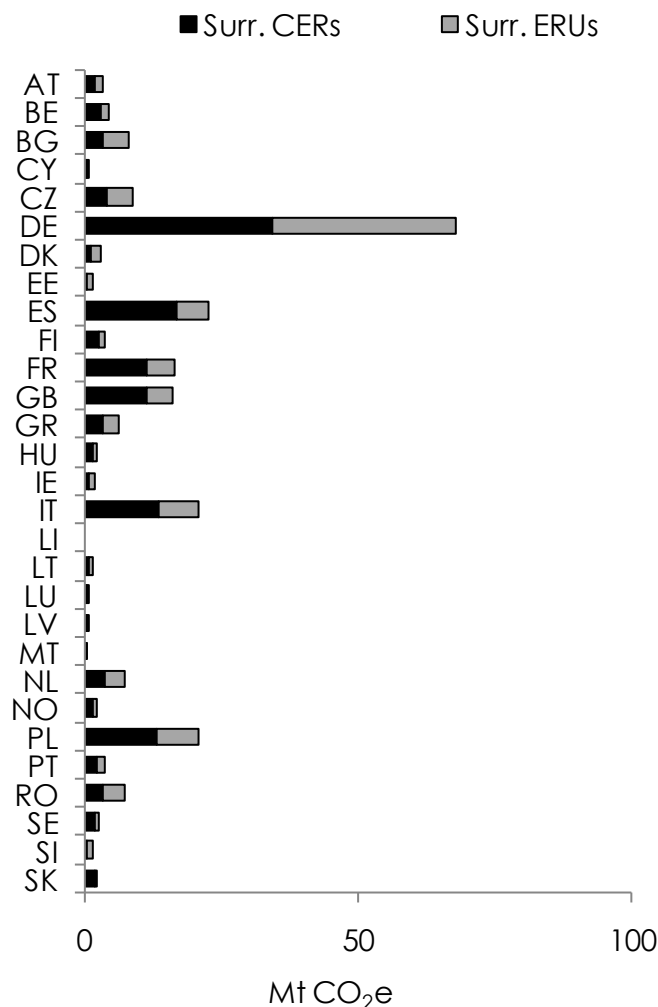


Source: EUTL



Source: Point Carbon

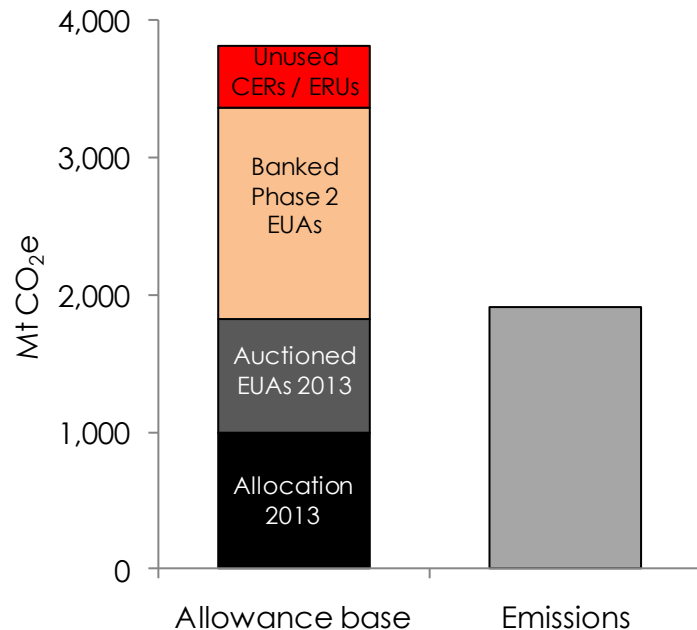
Structural Surplus of Allowances International Credits



- Use of international credits in Phase 2: 211 million p.a.
 - 135 million CERs
 - 76 million ERUs

- Total number of international credits in Phase 2 exceeds average annual ETS emissions

Structural Surplus of Allowances in 2013



- Persistent structural surplus of allowances in EU ETS in 2013
 - Banked EUAs from Phase 2: 1,545 million
 - Banked ERUs / CERs: 445 million

- In contrast to previous trading periods, in Phase 3 the EU ETS faces a tight cap
- Structural surplus of allowances (banked EUAs, ...) results in persistent low carbon prices
- EU ETS so far '*...has not succeeded in being a major driver towards long term low carbon investment*'
(EC – 2030 Framework for Climate and energy Policies)
- EC Proposal of a Market Stability Reserve for Phase 4 starting in 2021
- Reserve can contribute to improve the EU ETS's resilience to external shocks and help generate a stable price signal

THANK YOU!

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