



EU ETS TOP-5

JUNE
2016

Last chance for Europe's carbon market

Time to rescue the EU ETS from redundancy

For well over a decade the EU Emissions Trading System (EU ETS) puts a price on greenhouse gas emissions from Europe's largest carbon polluters.

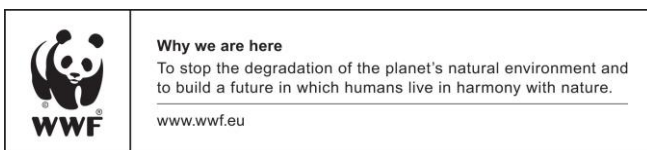
However, the EU ETS has:

- Failed to achieve adequate emission reductions while the carbon price signal remained ineffective.
- Undermined the polluter pays principle by issuing vast amounts of free pollution permits to energy-intensive sectors.
- Missed the opportunity to invest in a clean and competitive economy for the future.

Below we outline our top five recommendations in order to rescue the EU ETS from redundancy and to deliver a carbon market with society wide benefits.

Top 5 measures to shape an EU ETS that works for climate and economy

1. The EU ETS must be **aligned with the enhanced global temperature limit of the Paris Agreement**. The ETS reduction target (and corresponding) Linear Reduction Factor defined in the Directive needs to be increased compared to the European Commission proposal.
2. Europe needs to tackle the vast surplus of ETS emission allowances in order to enhance mitigation action prior to 2020 as foreseen in the Paris agreement. **ETS emission allowances which will be stored in the recently agreed ETS Market Stability Reserve should be removed from the EU carbon market permanently.**
3. The risk of carbon leakage will decline even further as third countries are deploying and developing an increasing number of climate policies globally. This implies **the free allocations of emission allowances to industrial sectors needs to become significantly more targeted and phased out over time.**
4. **Ensure that all pollution permits are ultimately auctioned** – providing more funds for investments into energy savings, renewable energy and industrial clean technologies.
5. **Member States must be explicitly allowed to permanently retire emission allowances** as result of establishing more ambitious national climate and energy measures that would deliver emission reductions in sectors covered by the EU ETS.



For further information:

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