



Press release: for immediate release

Breakthrough reform of EU carbon market agreed

(May 5, 2015) Trialogue discussions between the European Parliament, Council and Commission concluded this evening in a landmark agreement to reform Europe's Emissions Trading Scheme. Sandbag calculates that this agreement could now remove as many as 2.2 billion allowances from the market by the end of 2020. This compares with 2.1 billion excess allowances currently on the market as published yesterday.ⁱ

The "market stability reserve" proposal, first tabled by the Commission last January, seeks to curb a huge oversupply of carbon allowances that has been dampening prices in the scheme, by adjusting supply automatically. In an ambitious departure from the Commission proposal, today's inter-institutional agreement starts the reserve in 2019, two years earlier than originally proposed, and also fast-tracks hundreds of millions of additional allowances into the reserve.

The agreement in Trialogue come on the heels of a breakthrough in discussions between national ambassadors in COREPERⁱⁱ last Wednesday. A blocking minority of Member States resisting an early start to the reform was teased apart after wealthier states agreed to initially contribute more allowances into the reserve than poorer ones. Revised estimates from Sandbag following today's developments find that wealthier states will collectively submit between 14 million and 144 million additional allowances over 2019-2025 depending on how rapidly ETS emissions decline.ⁱⁱⁱ

Following today's deal, the MSR file will go through a confirmation vote in the ENVI Committee on May 26, which is understood to be a formality, given the prominent role of ENVI representatives in Trialogue. A Plenary vote is said to be possible already within a month, after which the Latvian Presidency is expected to put up the file for a formal Council vote. Again, due to the extensive discussions in COREPER, Council's preparatory body, the MSR will likely be passed as an 'A' item, requiring no further discussion from Ministers.

Sandbag welcomes today's deal is a powerful step towards correcting the imbalance in Europe's carbon market, but stresses that the battle for increasing the ambition of Europe's climate policy has only just begun. In order for the ETS to be truly effective in stimulating Europe's transition to a low-carbon economy and for Europe to show leadership in the upcoming Paris conference, Sandbag calls on Member States to cancel a significant volume of allowances as part of the post-2020 package to be discussed during the rest of 2015.

Damien Morris, Head of Policy at Sandbag says:

"Today's agreement is a huge turning point for Europe's flagship climate policy. After a decade of what seemed like terminal decline, this enhanced stability reserve has the potential to inject new life into the carbon market. But the policy is not out of the woods yet: key issues still need to be resolved during an overhaul of legislation expected later this year, the most important of which is the overall ambition of the emissions cap. This will need to be significantly tightened before we can truly say we have a carbon market fit for purpose."

ENDS

Notes to Editors

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ⁱ See May 4th press release here:

[http://sandbag.org.uk/site_media/pdfs/press_releases/Oversupply in carbon market persists despite emergency fix.pdf](http://sandbag.org.uk/site_media/pdfs/press_releases/Oversupply_in_carbon_market_persists_despite_emergency_fix.pdf)

ⁱⁱ The Committee of Permanent Representatives to the European Union, a subsidiary body of the Council of Ministers

ⁱⁱⁱ This compares a high-emissions Commission forecast against Sandbag's low-emissions forecast. In a [briefing published yesterday](#) Sandbag had calculated wealthier Member States would pay between 14 Mt and 260Mt over 2019-2030 as indicated in the Council text. A full update on today's Trialogue deal will be published in due course.