

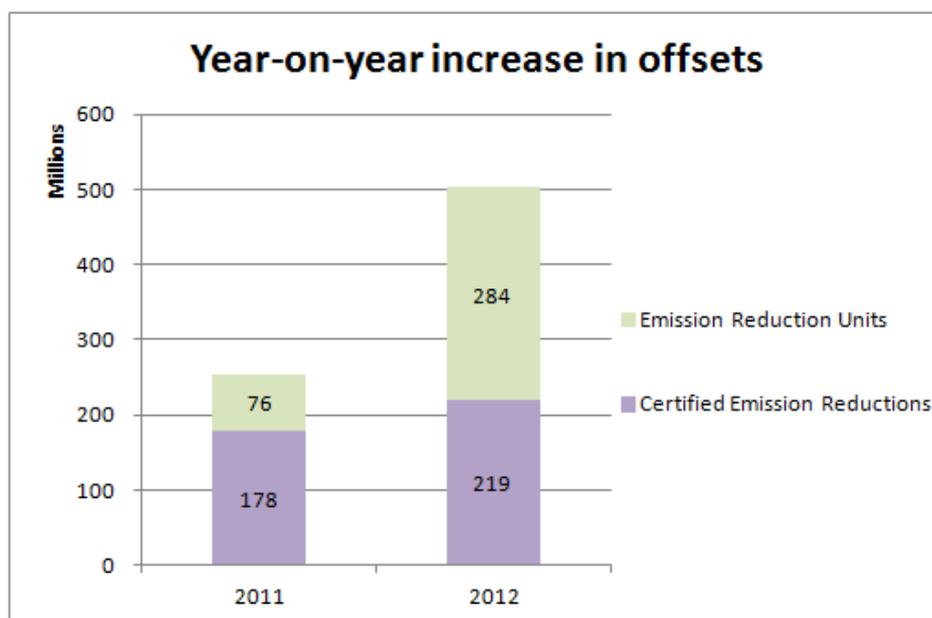
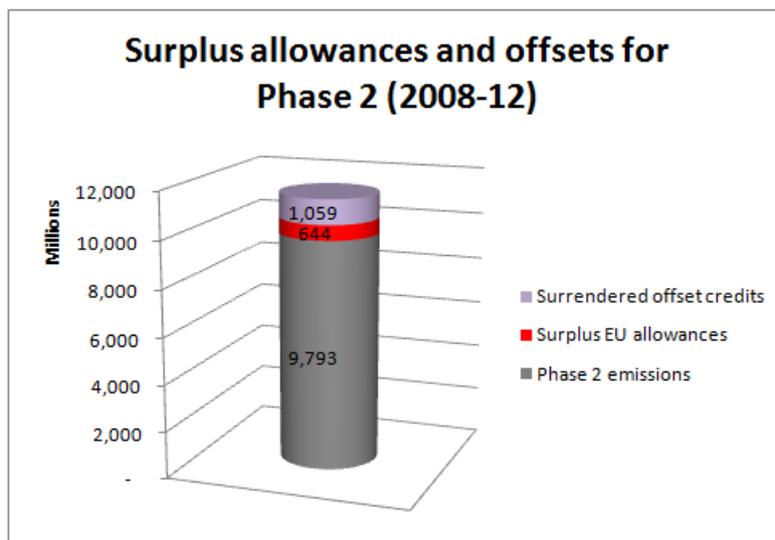


\*\*\*PRESS RELEASE\*\*\*

\*\*\*2<sup>nd</sup> May 2013\*\*\*

## Surge in offsets threatens to overwhelm EU's troubled carbon market

Europe's carbon trading scheme faces fresh tribulations after new data shows a record number of offsets have been surrendered into the oversupplied system. The policy which is supposed to limit the greenhouse gas emissions from power stations, factories and airlines set the five year cap for 2008-2012 644 million tonnes higher than emissions over that period. The new data finds just over a billion [1] offsets have been surrendered into the scheme over that time, bringing the total surpluses in the period to a staggering 1.7 billion, equivalent to almost a year's worth of spare allowances.



This new data arrives as the European Parliament prepares to vote a second time on a proposal to temporarily restore scarcity to the market by changing the auctions schedule for carbon allowances. New text is being negotiated after the parliament narrowly failed to reach an agreement on April 16.

“These figures, which approach the European Commission's worst case scenarios, should be a wake-up call for the parliamentarians who voted against the back-loading proposal in April,” said Damien Morris from the climate NGO Sandbag. [2] “By setting the carbon budgets too high, policymakers have inadvertently granted European emitters a license to pollute at business as usual levels for much of the next decade. Without urgent action to repair the ETS, Europe risks leaving those sectors idle where decarbonisation is most important. This will oblige more ambitious member states to adopt unilateral climate and policies, fragmenting the internal market.”

The surge in offsets has principally been triggered by a ban on the use of industrial gas credits from 2013. Sandbag's initial analysis shows that in 2012 a total of 503 million offsets were surrendered, representing a twofold increase on 2011 figures. [3] With Phase 2 and Phase 3 sharing a combined offsetting budget of some 1.6 billion allowances, this leaves only 541 million allowances remain available for the next eight year period.

For the first year since the EU ETS began offset credits originating from joint implementation (JI) projects dominated, accounting for 284 million of 2012's total. This surge in ERU usage is likely to have been driven by continuing uncertainty in the future eligibility of the credits in Phase III of the scheme. The remaining 219 million came from clean development mechanism (CDM) projects.

Sandbag's Brussels-based Campaigner, Rob Elsworth, said:

“Record levels of offsets have been surrendered as companies move to dump industrial gas carbon credits into the market. At a time when EU carbon prices are at record lows, this again highlights the fact that offsets are not being used for cost containment as envisaged and are in fact wholly unnecessary.”

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The Sandbag Climate Campaign is the NGO leading in research-led campaigning for effective emissions trading. Through expert analysis, hard hitting reports and targeted advocacy we aim to shine a light on what's working and what's not and campaign for changes that could save billions of tonnes of carbon emissions.

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[1] Actual figure 1,058,901,429 New data was released today at

[http://ec.europa.eu/clima/policies/ets/registry/docs/compliance\\_2012\\_en.xlsx](http://ec.europa.eu/clima/policies/ets/registry/docs/compliance_2012_en.xlsx)

[2] The European Commission's first State of the Carbon Market report estimated surpluses “could be well over 1.5 billion allowances” by the start of Phase 3

[http://ec.europa.eu/clima/policies/ets/reform/docs/com\\_2012\\_652\\_en.pdf](http://ec.europa.eu/clima/policies/ets/reform/docs/com_2012_652_en.pdf) (p.5)

[3] Up 98% from 2011 figures of 254 million