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MOUNTAIN OF SPARE PERMITS CONTINUES TO GROW IN EUROPE'S EMISSIONS TRADING SCHEME

Steel industry banks 212 million carbon permits, worth €3.4 billion, to pollute another day; tightening of cap essential to rescue flagship climate policy.

Latest data on Europe's flagship climate policy shows that it is still failing to control carbon emissions and is instead banking a huge surplus of permits that will allow pollution to grow for years, according to analysis by the Sandbag Climate Campaign.

The data released today from the European Commission shows that the emissions covered by the EU Emissions Trading Scheme have grown to 1.76 billion tonnes in 2010, up 3.6% on last year. [1] This leaves 2010 emissions 126 million below the cap designed to limit them, making this the 5th year out of the six years the scheme has been running in which the cap has been set too high.

The European cap and trade scheme was established in 2005 to control emissions from factories and power stations accounting for 2 billion tonnes of carbon dioxide annually, representing roughly half of Europe's emissions. After the first 3 years of the scheme failed to limit the supply of carbon, a tighter cap was set for the 5 years starting in 2008, but this was almost immediately blindsided by the recession which reduced ETS emissions by 11.6% in 2009.

Now, at this important milestone midway through the improved cap, the scheme is still failing to protect the climate. Instead we find that the cap has banked 170 million tonnes of the carbon saved by the recession as pollution rights to enable emissions to grow in the future, equivalent to the annual carbon emissions of 39.5 million cars. [2]

One of the main causes of oversupply to the scheme is the over-allocation to industrial sectors and companies. Before accounting for waste gas transfers, the iron and steel sector accrued a 70 Mt surplus in 2010, making its surplus to date 212 Mt. This surplus of carbon allowances is worth €3.4 billion at current prices, equivalent to the entire annual financial support Europe currently provides to renewables.[3]

Research by the campaign group Sandbag finds some 44.6% of this surplus is held by Arcelor Mittal, the single biggest beneficiary under the scheme to date. Similarly the cement sector has now accrued 134.6Mt in total, with 19.2% represented by Lafarge. [4] [5]

Commenting on the new data, Damien Morris, Senior Policy Advisor for the climate campaign group Sandbag said: "Europe's flagship climate policy has great potential but it currently risks becoming an environmental hindrance, hoarding carbon saved by other environmental policies and the recession for later use. It is imperative that the next carbon budget corrects this surplus of carbon allowances and better aligns the traded sector with renewable and energy efficiency targets. If politicians have the courage to tighten the cap then the ETS could help pave the way for a low-carbon Europe."

He continues, “It is profoundly ironic that the industries which have profited most from the scheme to date are most vocally resisting tougher ETS caps, especially when they already receive extensive protections in the form of benchmarked free allocations and the unearned surpluses they continue to amass”.

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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Additional notes:

Data summary:
2010 verified emissions = 1.76 billion tones CO2e, 3.5% growth on 2009 levels.
2010 net surplus = 126 million (including auctions)
Surplus built up over last three years (2008-2010) = 170 million tonnes (including auctions)
2010 EU-wide iron and steel surplus = 70 Mt, valued at €1.12 billion
Iron and steel surplus built up over last three years (2008-2010) = 212Mt valued at €3.4 billion
2010 EU-wide cement surplus = **52.4Mt**, valued at €840 million
Cement surplus built up over last three years (2008-2010) = **134.6Mt** valued at €2.15 billion
Arcelor Mittal EU steel 2010 surplus = **28.8Mt** valued at €461 million
Arcelor Mittal EU steel surplus for last three years (2008-2010) = **94.6Mt** valued at €1.5 billion
Lafarge cement EU 2010 surplus = **9Mt** valued at €144 million
Larfarge cement EU surplus for last three years (2008-2010) = **25.8Mt** valued at €413 million
Total installation surpluses in 2010 = **349.9Mt**
Total masked overallocations to date = **975.5Mt**
Total masked shortfalls in 2010 = **315.9Mt**
Total masked shortfalls to date = **1,007.8Mt**

[1] EU wide, national, sectoral and installation analysis is based on the data released today by the EU Community Independent Transaction Log (CITL). This initial data release accounts for 80% of installations (10,221 out of 12,801) representing 1.76 billion tonnes of emissions. Progressively more complete data sets are scheduled for May 2nd and 16th.

[2] Based on average car emissions of 4.3 tonnes of CO_2 per annum

[3] Renewable spending over 2007-2009 was roughly €3.3 billion annually. See http://www.clickgreen.org.uk/news/international-news/121840-europes-renewable-energy-investment-must-double-to-%E2%82%AC70bn.html

[3] Allocations to the steel sectors and companies are not adjusted for waste gas transfers as this information is not publically available.

[4] Our company analysis cross references the published installation data with Sandbag research and data on parent companies.

[5] Arcelor Mittal has sold €211 million’s worth of surplus permits over the last 3 financial years, while Lafarge has sold €230 million

[6] The overallocation to (mostly) industrial installations is largely masked by a shortfall in power installations.

[7] Calculations charting changes in emissions from last year have controlled for the same installations which released information today.