Life Beyond Emissions Trading

» Briefing for MEPs

What would happen if the EU Emissions Trading System (EU ETS) were allowed to collapse? "Life Beyond Emissions Trading", a new briefing from Corporate Europe Observatory, shows that ending the ETS need not leave a policy void. In the context of a deepening climate crisis, and with hundreds of organisations calling for the ETS to be scrapped and replaced by effective and adequate action on climate change, the debate around the EU's 2030 Climate and Energy Package represents an opportunity to move beyond the sinking emissions trading flagship through a combination of ambitious targets, direct regulation, subsidy shifting and institutional reform.

MEPs have a vital role to play, and by using this report to intervene in the ongoing legislative process, can ensure the EU is a climate leader at home and on the international stage.

What MEPs can do

Use the current legislative process around climate and energy policy to promote the following points:

* **The ETS is unreformable and should be scrapped.** The ETS is a failed policy. It has awarded huge subsidies to some of the EU's most polluting industries while at the same time failing to reduce greenhouse gas emissions (even though some sectors have seen falls for unrelated reasons). Moreover, the ETS is weakening and undermining the adoption of other environmental regulation. The Commission has proposed measures to reform the ETS, but these do not address the structural problems of the ETS itself, which run far deeper than the problems of poor allocation, inadequate pricing and misplaced subsidies. The scale of the climate change problem is at odds with the incrementalism of emissions trading, which encourages cheap fixes that can lock-in reliance on fossil fuel infrastructure.

- **There should be separate and ambitious EU targets for greenhouse gas emissions, renewable energy and energy efficiency.** Focussing on a single greenhouse gas target for 2030 would damagingly bolster nuclear power and “carbon capture and storage” (both technologies with many problems and risks associated) at the expense of renewable energy. It would also offer greater opportunities for action to be avoided by manicuring the statistics. No range of targets can overcome a lack of ambition, however. The EU should be aiming for between 60 and 80 per cent reductions in greenhouse gas emissions alone by 2030 if it is to meet its fair share globally – considerably in excess of the figures currently discussed.

- **The 2030 debate should not distract from the need to immediately reform the Effort Sharing Decision.** Over half of the EU’s greenhouse gas emissions are covered by the ESD rather than emissions trading. Its 10 per cent reduction target is inadequate, and it is further undermined by the ability to meet this target using carbon offsets. Greater ambition and a ban on offsets are required.

- **Targets are not enough, and the EU should focus on direct regulation.** The EU already has a range of direct environmental regulations, ranging from minimum standards on the energy performance of buildings and “fuel quality”, to emissions limits on cars and vans. In addressing the sectors currently covered by emissions trading, it should extend the Industrial Emissions Directive to incorporate emissions performance standards for greenhouse gas emissions. Industrial plants and power stations failing to make the grade should face closure.

- **EU energy policy should promote renewable energy and ban fossil fuel subsidies.** In the absence of emissions trading, the EU could reopen discussions on the Energy Taxation Directive to close aviation and shipping loopholes, as well as raising minimum prices. More broadly, the EU should stop in its attempts to undermine renewables feed-in tariffs, and apply State Aid rules to outlaw long-term price guarantees that subsidise nuclear power.

- **Repeal of the Emissions Trading System Directive.** MEPs can formally “request” or “propose” that the Commission should end the ETS. Stricter climate and energy legislation should not be delayed or weakened in advance of this, however. Other emissions trading systems have seen a surplus of allowances lead to a sustained price collapses and traders withdrawing from the market. The ETS has already entered this spiral, so legislators should enact other policies, from energy efficiency to direct emissions limits, irrespective of the ETS and whether or not they might undermine the (already compromised) carbon price.

- **More ambitious EU climate and energy policy requires democratic reforms to EU institutions.** Industrial lobbying, and lobbying by governments on behalf of favoured national industries, set the stage for EU policy-making that prioritises corporations over people and the environment. Tougher rules on ethics and accountability are needed to end the corporate capture of the EU.

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Read the full report at http://corporateeurope.org/climate-and-energy/2014/01/life-beyond-emissions-trading

Corporate Europe Observatory (CEO) is a research and campaign group working to expose and challenge the privileged access and influence enjoyed by corporations and their lobby groups in EU policy making.

This corporate capture of EU decision-making leads to policies that exacerbate social injustice and accelerate environmental destruction across the world. Rolling back corporate power and exposing greenwash are crucial in order to truly address global problems including poverty, climate change, social injustice, hunger and environmental degradation. Corporate Europe Observatory works in close alliance with public interest groups and social movements in and outside Europe to develop alternatives to the dominance of corporate power.