

Post 2020 ETS

Prof. Dr. Jan S. Voßwinkel

Centre for European Policy | cep
Nürtingen-Geislingen University | NGU

EPP Public Hearing “Emissions Trading System – ETS”, 4 May 2016



- 1 The Proposed ETS Reform
- 2 The Global Context
- 3 Carbon Leakage
- 4 Suggestions

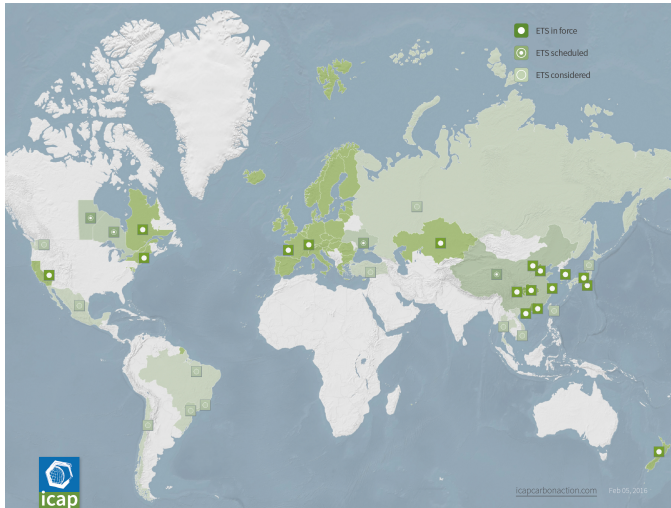
- 1 The Proposed ETS Reform
- 2 The Global Context
- 3 Carbon Leakage
- 4 Suggestions

The Proposed ETS Reform

- Linear reduction factor: 2.2 %
- Allocation of Allowances
 - Auctioning: 57 %
 - Free allocation: 43 %
- Carbon leakage
 - New Criteria: $\text{intensity of trade} \times \text{emission intensity}$
 - Electricity price compensation
- Allocation of allowances to installations
 - Historical production level
 - Benchmark
 - Carbon-leakage factor
 - Cross-sectional correction factor

- 1 The Proposed ETS Reform
- 2 The Global Context
- 3 Carbon Leakage
- 4 Suggestions

The Global Context



- Post Paris Protocol World
- Still no level playing field
- Reduced share of European emissions relative to global emissions
- Leadership of the EU vs. isolation

- 1 The Proposed ETS Reform
- 2 The Global Context
- 3 Carbon Leakage
- 4 Suggestions

- Carbon Leakage is a threat to climate action and to the economy
 - Expected increased emissions outside the ETS
 - Loss of state revenue
 - Job losses
 - ...
- New risk factors
 - New linear reduction factor of 2.2 %
 - Reduction of benchmarks, esp. automatic reduction of 0.5 % p. a.
 - Fixed share of allowances to be auctioned
 - Cross-sectional correction factor

- 1 The Proposed ETS Reform
- 2 The Global Context
- 3 Carbon Leakage
- 4 Suggestions

- Free allocation of allowances based on previous year
- Reduction of benchmarks based on actual emission reductions, no automatic reduction
- No cross-sectional correction factor, but
- Increased share of free allowances
- My advice: Be careful with tiering! Serious risk of political energy efficiency losses by playing zero-sum-games

Thank You!

Thank you!

vosswinkel@cep.eu