

CONTENTS OF THE COMMISSION'S PROPOSAL

On November 14th the European Commission published a set of documents to revise the EU Emissions Trading Scheme (ETS):

- A proposal to amend the Auctioning Regulation in order to postpone auctioning of 900 million allowances from 2013–2015 to the end of the period 2019–2020
- Impact assessment of the back-loading
- Carbon market report (CMR) including proposals for structural measures

A proposal to amend the Auctioning Regulation

The Commission finds an urgent need to adopt the short term back-loading measure, i.e. postponement of the sale of 900 million allowances inside the period 2013–2020, to remedy to the surplus of allowances in the market. Auction volumes will be reduced by 400 million allowances in 2013, by 300 million in 2014 and by 200 million in 2015. The amount of allowances to be returned to the market will be 300 million in 2019 and 600 million in 2020.

The amendment of the Auctioning regulation will be decided in the Climate Change Committee (CCC) of the Commission. CCC is expected to discuss the proposal on 15 November and vote on 13 December.

The ETS directive must also be amended to allow the timing of auctions to be changed. A draft decision to change the directive, published in July, will have to be approved by member states and the Parliament through the co-decision process.

Impact assessment of the back-loading

The impact assessment outlines the need and the consequences of the proposed back-loading volume on both prices and market balance.

Carbon market report

The report proposes a list of structural measures that should ensure to correct the oversupply of the market. The Commission estimates around 2 billion oversupply of allowances in most of phase 3. It concludes the economic recession since 2009 having had a major impact on the oversupply and low allowance prices. The following six structural measures have been presented as options:

- a) Increase of 2020 greenhouse gas reduction target to 30% (a revision of the ETS Directive needed)
- b) Permanent retirement of a certain amount of allowances from the system. This would be done by presenting a Decision, i.e. without the need to revise the ETS Directive
- c) Early revision of the annual linear reduction factor (a revision of the ETS Directive needed)
- d) Extension of the scope of the ETS to other sectors
- e) Limit access to international credits (JI and CDM)
- f) Discretionary price management mechanisms such as a carbon price floor