



Is there life in the EU ETS?

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The Change Partnership was established as an *association sans but lucrative* (ASBL) in 2013 to provide independent thought and organisation of political solutions to advance sustainable development and avert dangerous climate change.

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For the first time in its history, the European Parliament has stuck the proverbial knife into the heart of policy action on climate change by rejecting the backloading plan. The very same Parliament had earlier supported 'frontloading' to allow early auctions of emissions allowances, a process that used the same legal basis and market intervention mantra which they rejected on 16 April. This means there will be a second vote for sure. MEPs cannot stand in front of the electorate in May 2014 having voted against climate change, pushed the wrong voting buttons, wiped out billions from government coffers and corporate shareholder value. Worse still, safeguards for energy intensive industry within the EU are now exposed to reform.

The Council will come very close to a unified position on the backloading proposal which will look surprisingly familiar to Groote's one-off intervention. Before the vote, expect two dynamics. The S&D Group and the ALDE will hold talks within their groups long before the vote. The tactic of delaying debate until hours before voting was the main reason for the negative outcome. Second, national governments will act earlier and in greater number. There are more than six governments supporting backloading. This will be the main contribution from the Irish presidency.

Before we get to structural reforms, revising the 'carbon leakage list' is the key battleground. Projections of a €30 carbon price are a very long way from today's €3. This poses an interesting dilemma for energy intensive industry. Continuing to fight against the ETS encourages a stronger reform of the carbon leakage. The Commission has brought the timetable for this review forward. In the long run, killing this concept is far more important than backloading for the future of ETS and other climate policy. So expect to see movement, or to be precise, a lack of movement from energy intensive industry.