1. Start date

Covering AMs 85-97;

Corresponding parts: AM 7, 115-132, AMs 160-169; AMs 2, 19-34

Proposal for a decision
Article 1 – paragraph 1

(Recital 2; Article 1- paragraph 3; and Article 2 - paragraph 1 - point 1, Article 10- paragraph 1 with amendments to corresponding parts)

Text proposed by the Commission	*Amendment*
1. A market stability reserve is established, and shall operate from 1 January ***2021***.	1. A market stability reserve is established ***in 2018*** and shall operate ***by 31 December 2018***.

2. Thresholds:

Covering AMs 7, 115-132 and AMs 135-143

Corresponding parts: AMs 2, 19-34

Proposal for a decision
Article 1 – paragraph 3

(Recital 2 with amendment to corresponding part)

Text proposed by the Commission	*Amendment*
3. In each year beginning in ***2021***, a number of allowances equal to 12% of the total number of allowances in circulation in year x-***2***, as published in May year x***-1***, shall be placed in the reserve, unless this number of allowances to be placed in the reserve would be less than 100 million.	3. ***In accordance with the provisions of article 1.1 that provide for timely implementation when the reserve is established***, a number of allowances equal to 12% of the total number of allowances in circulation in year x-***1***, as published in May year x, shall be placed in the reserve ***without undue delay***, unless this number of allowances to be placed in the reserve would be less than 100 million.

4. In any year, if the total number of allowances in circulation is lower than 400 million, 100 million allowances shall be released from the reserve. In case less than 100 million allowances are in the reserve, all allowances in the reserve shall be released under this paragraph.	4. In any year, if the total number of allowances in circulation is lower than 400 million, 100 million allowances shall be released from the reserve. In case less than 100 million allowances are in the reserve, all allowances in the reserve shall be released under this paragraph.

3. Recital 2

(based on AM 19 (Mazuronis), 20 (Eickhout), 22 (Duncan), 32 (Liese, Pietikäinen, Šuica, Florenz, Bendtsen, Peterle), and 33 (Paolucci, Briano, Bonafè, Chinnici, Gasbarra, De Castro)

Covering AMs 2, 19-34

Proposal for a decision
Recital 2

Text proposed by the Commission	*Amendment*

(2) The report from the Commission to the European Parliament and the Council on the state of the European carbon market in 2102[7] identified the need for measures in order to tackle structural supply-demand imbalances. The impact assessment on the 2030 climate and energy policy framework[8] indicates that this imbalance is expected to continue, and would not be sufficiently addressed by adapting the linear trajectory to a more stringent target within this framework. A change in the linear factor only changes gradually the cap. Accordingly, the surplus would also only gradually decline, such that the market would have to continue to operate for more than a decade with a surplus of around 2 billion allowances or more. In order to address this problem and to make the European Emission Trading System more resilient to imbalances, a market stability reserve should be established. ***To ensure regulatory certainty as regards auction supply in phase 3 and allow for some lead-time adjusting to the introduction of the design change, the market stability reserve*** should be established ***as of*** phase 4 ***starting*** in 2021**.** In order to preserve a maximum degree of predictability, clear rules should be set for placing allowances into the reserve and releasing them from the reserve. Where the conditions are met, beginning in ***[2021]***, allowances corresponding to 12% of the number of allowances in circulation in year x-***2*** should be put into the reserve. A corresponding number of allowances should be released from the reserve when the total number of allowances in circulation is lower than 400 million.

(2) The report from the Commission to the European Parliament and the Council on the state of the European carbon market in 2012[7] identified the need for measures in order to tackle structural supply-demand imbalances. The impact assessment on the 2030 climate and energy policy framework[8] indicates that this imbalance is expected to continue, and would not be sufficiently addressed by adapting the linear trajectory to a more stringent target within this framework. A change in the linear factor only changes gradually the cap. Accordingly, the surplus would also only gradually decline, such that the market would have to continue to operate for more than a decade with a surplus of around 2 billion allowances or more ***thereby preventing the ETS from delivering the necessary investment signal to reduce CO_2 emissions in a cost efficient manner***. In order to address this problem and to make the European Emission Trading System more resilient to ***supply-demand*** imbalances, ***and thus to correct a design error in the system, so as to enable the ETS to function as an orderly market with stable and competitive prices, reflecting the true value of allowances,*** a market stability reserve should be established ***during phase 3***, ***so as*** to ***establish*** the ***benefits thereof before the launch*** of phase 4 in 2021. ***The market stability reserve should also ensure synergy with other climate policies such as those on renewable energy and energy efficiency.*** In order to preserve a maximum degree of predictability, clear rules should be set for placing allowances into the reserve and releasing them from the reserve. Where the conditions are met, beginning in [***x***], allowances corresponding to 12% of the number of allowances in circulation in year x-***1*** should be put into

4. Backloaded allowances

(based on AM 6 and 9 (Rapporteur), AM 101 (Paolucci, Briano, Bonafè, Chinnici, Gasbarra, De Castro, AM 48 (Schreijer-Pierik), and AM 98/185 (Duncan))

Covering AMs 176-178, 101/6/98/100, 102; 184/185/9 and AMs 3, 36, 38, 39, 47, 48, 49, 55, 56, 75

Corresponding parts AM 167

Proposal for a decision
Article 1 – paragraph 1 a (new)

Text proposed by the Commission	*Amendment*
	1a. The Commission shall ensure that allowances back-loaded in accordance with Commission Regulation (EU) No 176/2014 [1a] are directly placed in the market stability reserve.

[1a] Commission Regulation (EU) No 176/2014 of 25 February 2014 amending Regulation (EU) No 1031/2010 in particular to determine the volumes of greenhouse gas emission allowances to be auctioned in 2013-20 (OJ L 56, 26.2.2014, p. 11).

Proposal for a decision
Article 2 – paragraph 1 – point 3 a (new)
Directive 2003/87/EC
Article 10 – paragraph 4 – subparagraph 1 a (new)

Text proposed by the Commission	*Amendment*
	3g. In Article 10(4), the following subparagraph shall be inserted after the first subparagraph:
	"Where the Commission has carried out the adaptation referred to in the first subparagraph, an amount of allowances corresponding to the increase of allowances in 2019 and 2020 as set out in Annex IV to Commission Regulation (EU) No 1031/2010 [*] shall be placed in the market stability reserve established by Decision [OPEU please insert number of this Decision when known]."
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	[*] Commission Regulation (EU) No 1031/2010 of 12 November 2010 on the timing, administration and other aspects of auctioning of greenhouse gas emission allowances pursuant to Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowances trading within the Community (OJ L 302, 18.11.2010, p. 1)."

Proposal for a decision
Recital 3 a (new)

Text proposed by the Commission	*Amendment*

Text proposed by the Commission	Amendment
	(3a) Commission Regulation (EU) No 176/2014 provided for the "back-loading" of 900 million allowances from years 2014 - 2016, to years 2019 and 2020 (the end of phase 3 of the ETS). The impact of the auctioning of those back-loaded allowances in 2019 and 2020 would run counter to the desired aim of the current proposal for a market stability reserve, which is a reduction in the surplus of allowances. Therefore, the backloaded allowances should not be auctioned but instead placed directly in the market stability reserve.

<u>**5. Unallocated allowances**</u>
(Based on AM 103 (Gerbrandy)

Covering AMs 103; 171-175; 218 (*corresponding part*); AMs 40, 41, 42

Proposal for a decision
Article 1 – paragraph 1 b (new)

Text proposed by the Commission	*Amendment*
	1b. Allowances remaining in the new entrants' reserve at the end of a trading period, and allowances not allocated due to closures or under the derogation for the modernisation of the electricity sector shall be considered "unallocated allowances". All such unallocated allowances will not be auctioned at the end of the third trading period, but shall be directly placed in the market stability reserve.

Proposal for a decision
Article 2 – paragraph 1 – point 3

Directive 2003/87/EC
Article 10 – paragraph 1 a

Text proposed by the Commission	Amendment
1a. ***Where the volume of allowances to be auctioned by Member States*** in the ***last year of each period referred to in Article 13(1) exceeds by more than 30% the expected average auction volume for the first two years of the following period before application of Article 1(3) of Decision [OPEU please insert*** number of ***this Decision when known], two-thirds of the difference between the volumes*** shall be ***deducted*** from auction ***volumes in the last year of the period and added in equal instalments to the volumes to be auctioned by Member States in the first two years of the following period***.	1a. ***At the end of a trading period, any allowances remaining*** in the ***new entrants' reserve and any allowances not allocated due to closures or under the derogation for the electricity sector shall be considered "unallocated allowances". All such unallocated allowances shall be directly placed in the market stability reserve.***

Proposal for a decision
Recital 3

Text proposed by the Commission	Amendment

(3) Furthermore, in addition to the establishment of the market stability reserve, a few consequential amendments should be made to Directive 2003/87/EC to ensure consistency and smooth operation of the ETS. In particular, the operation of Directive 2003/87/EC may lead to large volumes of allowances to be auctioned at the end of each trading period which can undermine market stability. Accordingly, in order to avoid an imbalanced market situation of supply of allowances at the end of one trading period and the beginning of the next with possibly disruptive effects for the market, provision should be made for the ***auctioning of part of any large increase of supply*** at the end of ***one*** trading period ***in the first two years of the next period.***	(3) Furthermore, in addition to the establishment of the market stability reserve, a few consequential amendments should be made to Directive 2003/87/EC to ensure consistency and smooth operation of the ETS. In particular, the operation of Directive 2003/87/EC may lead to large volumes of allowances to be auctioned at the end of each trading period which can undermine market stability. Accordingly, in order to avoid an imbalanced market situation of supply of allowances at the end of one trading period with possibly disruptive effects for the market, provision should be made for ***the placing of such allowances into the market stability reserve*** at the end of ***the*** trading period ***in question***.

6. Support for breakthrough innovation in low-carbon technologies and processes

(based on AM 8 (rapporteur), AM 155 (García Pérez), 149 (Fjellner), and 182 (Paolucci, Briano, Bonafè, Chinnici, Gasbarra, De Castro, Caputo)

Covering AMs 8, 149, 155, 182

Proposal for a decision
Article 1 – paragraph 5 a (new)

Text proposed by the Commission	*Amendment*

3j. In Article 10a, paragraph 8, the following subparagraph shall be inserted:

"300 million allowances shall gradually be made available from the date of operation of the market stability reserve established by Decision [OPEU please insert number of this Decision when known] until 31 December 2025 in line with this paragraph and for breakthrough industrial innovation projects in the sectors listed in Annex I on the basis of objective and transparent criteria referred to in this paragraph.

The 300 million allowances referred to in the previous sentence shall be taken from the unallocated allowances, as defined in paragraph 1b of Decision [OPEU please insert number of this Decision when known]

7. Carbon leakage

(*Article based on AM 10 (Rapporteur), 64 (Groote*, *Tanasescu*, *Griffin, Dance, Childers, Dalli, Leinen, Grammatikakis*), *192 (Fjellner), 197 (Gardini, Grossetête, Ayuso, Patriciello, La Via,) 215 (Evi, Affronte, Pedicini, Tamburrano, Borelli), 218 (Paolucci, Briano, Bonafè, Chinnici, Gasbarra, De Castro), 151 (Gieseke, Pieper), 154 (Grossetête) and 186 (Cirio)*

(Recital based on AM 60 (*Dance, Griffin, Brannen), 64 (Groote*, *Tanasescu*, *Griffin, Dance, Childers, Dalli, Leinen, Grammatikakis*), *35 (Fjellner), 76 (Huitema) 52 (Mikolášik), 57 (Paolucci, Briano, Bonafè, Chinnici, Gasbarra, De Castro, Caputo), 63 (Gardini, Grossetête, Patriciello, La Via), and 66 (Paolucci, Briano, Bonafè, Chinnici, Gasbarra, De Castro, Caputo)/last sentence based on 50 (Gieseke, Pieper), 54 (Gardini, Grossetête, Patriciello, La Via), 57 (Paolucci, Briano, Bonafè, Chinnici, Gasbarra, De Castro, Caputo), 63 (Gardini, Grossetête, Patriciello, La Via), 66 (Paolucci, Briano, Bonafè, Chinnici, Gasbarra, De Castro, Caputo))*

Covering AMs 187, 10, 190-198, 218; and 4, 35, 43, 44, 50, 52, 53, 57, 58, 60, 62, 63, 64, 65, 68, 74, 76, 77, 81, 82

Corresponding part - AM 215

Proposal for a decision
Article 2 a (new)

Text proposed by the Commission	*Amendment*
	Article 2a
	Review of Directive 2003/87/EC

By ...[+], the Commission shall review Directive 2003/87/EC, in view of effectively protecting the competitiveness of EU industries at ~~genuine~~ risk of carbon leakage, introducing a more accurate allocation of allowances and incentivising carbon-efficient growth without contributing to the over-supply of allowances. The Commission shall thereby take into account the conclusions of the European Council of 23 and 24 October 2014, in particular with regard to carbon leakage provisions and the continuation of free allocations, better reflecting changing production levels and incentivising the most efficient performance. The Commission shall also consider an EU harmonised mechanism to compensate for indirect carbon costs resulting from this Directive so as so to ensure a global and EU level playing field. If appropriate the Commission shall, in accordance with the ordinary legislative procedure, submit a proposal to the European Parliament and the Council."

[+] ***OJ: Please, insert the date: six months from the entry into force of this Decision.***

Proposal for a decision
Recital 3 b (new)

Text proposed by the Commission	*Amendment*

(3b) It is important that the ETS incentivises carbon efficient growth and that the competitiveness of EU industries at genuine risk of carbon leakage is protected. The European Parliament resolution of 4 February 2014 (2013/2177(INI) already stressed "that the Commission should address more concretely and in detail the issue of carbon leakage". The European Council conclusions of 23 and 24 October 2014 on the 2030 Climate and Energy Policy Framework gave clear guidance on the continuation of free allocations and carbon leakage provisions after 2020 and state that "the most efficient installations in the sectors at risk of losing international competitiveness should not face undue carbon costs leading to carbon leakage". Proportionate measures reflecting the carbon price prevailing at the time of their introduction should be put in place in order to shelter industries at genuine risk of carbon leakage from any negative impact on their competitiveness and thus to avoid additional ETS related costs at the level of the most efficient installations. The Commission should review Directive 2003/87/EC and in particular Article 10a in this respect. In pursuing the goal of creating a single energy market this review should also include harmonised arrangements at EU level compensating for carbon costs passed on in electricity prices, different from the mechanism currently governed by state aid rules so as to secure a fully level playing field.

8. Review

(based on AM 204 (Grossetête), 206 (Duncan), 207 (Fjellner), 211 (Gerbrandy, Federley, Bearder), and 213 (Huitema)

Covering AMs 11, 200-214, 216-219 and AMs 5, 61, 69, 70, 71, 73

Proposal for a decision
Article 3

Text proposed by the Commission	*Amendment*
Review	Review
By 31 December 2026, the Commission shall on the basis of an analysis of the orderly functioning of the European carbon market review the market stability reserve and submit a proposal, where appropriate, to the European Parliament and to the Council. The review shall pay particular attention to the percentage figure for the determination of the number of allowances to be placed into the reserve according to Article 1(3) and the numerical value of the threshold for the total number of allowances in circulation set by Article 1(4).	***Within three years after the date of operation of the market stability reserve,*** the Commission shall on the basis of an analysis of the orderly functioning of the European carbon market review the market stability reserve and submit a proposal, where appropriate, to the European Parliament and to the Council. The review shall pay particular attention to the percentage figure for the determination of the number of allowances to be placed into the reserve according to Article 1(3) and the numerical value of the threshold for the total number of allowances in circulation set by Article 1(4). ***In its review, the Commission shall also look into the impact of the market stability reserve on European industrial competitiveness and on the risk of carbon leakage. A periodic review of the settings of the market stability reserve, two years before the start of every new phase, is necessary in order to ensure the settings remain appropriate whilst preserving certainty for the market.***

Proposal for a decision
Recital 4

Text proposed by the Commission	*Amendment*
(4) The Commission should review the functioning of the market stability reserve in relation to its operation in the light of experience of its application. The review of the functioning of the market stability reserve should in particular consider whether the rules on placing allowances in the reserve are appropriate with regard to the aim pursued to tackle structural supply-demand imbalances.	(4) The Commission should, ***within three years after the date of operation of the market stability reserve,*** review the functioning of the market stability reserve in relation to its operation in the light of experience of its application. The review of the functioning of the market stability reserve should in particular consider whether the rules on placing ***and releasing*** allowances in ***and from*** the reserve are appropriate with regard to the aim pursued to tackle structural supply-demand imbalances. ***The review should also look into the impact of the market stability reserve on the EU's industrial competitiveness and on the risk of carbon leakage.***