



# EU climate and energy policy for 2030 and beyond

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## The EU ETS and its role in Energy Union

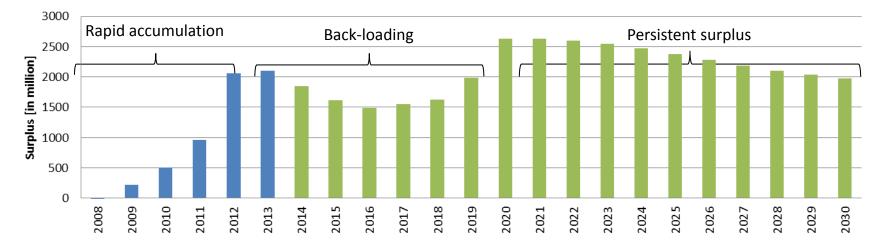
- The ETS is a functioning instrument to decarbonise (since 2005), applying across 31 countries, and half of EU's CO<sub>2</sub> emissions
- Binding linear reduction trajectory, with the EU-level price signal reinforcing internal market and uptake of low carbon technologies
- Shift since 2013 to significant auctioning, with Member States' revenues and dedicated funds supporting low carbon innovation
- Harmonised free allocations across EU for industries & heat, addressing risk of carbon leakage
- State-of-the-art and secure single electronic registry, and allowances fully included in financial market regulations





## Backloading and the Market Stability Reserve

#### Long discussion following recession + influx of JI/CDM drawing to a close



- Continued imbalance would have profoundly affected ability to meet the medium-term target in a cost-effective manner
- EU ETS made more resilient to large demand shocks in future



## **Other EU ETS aspects**

Climate Action

#### The EU ETS <u>directly</u> funds innovation



Major use of EU ETS auction revenues
(€3bn for 2013), Member States' use of
2014 revenues reported in coming months

 Aviation's inclusion in ETS is working and effective: annual reductions, >99% compliance including over 100 commercial airlines from outside EU





## EU ETS up to 2030

#### 'A well-functioning reformed EU ETS' as main European instrument

Annual 2.2% cap reduction from 2021 to deliver 43% cut

Free allocation to prevent carbon leakage continued

**Redistribution of auction revenue**: 90% among all 28 Member States / 10% among lower income Member States

Scaled up Innovation funding (400 million allowances)

**Modernisation fund** + nat.action to modernise power generation



### **International uptake of ETS in 2015**

Quebec - 65.3

Switzerland - 5.4

sub-national Japan - 22.4

9 US States - 89.1 🔪

Kazakhstan - 153

EU ETS - 2007.8

California - 394.5

South Korea - 573

Chinese pilots - 1254

New Zealand - 38.6

More and more calls for actual carbon pricing

Absolute size, MtCOge 2015 Source: ICAP Status Report 2015



## To 2030 and beyond...

- Internalisation of external costs continuing (including progress on subsidies)

- Expanding application of climate and energy policies geographically, and as a proportion of economies





This book was EC's Stavros Dimas' gift to Mr. Al Gore at the avant premiere of "An Inconvenient Truth" (8 March 2006)

- Further enhancing synergies: for innovation and financing the transition

- Knowledge and experience-sharing