EU's Flagship Climate Policy Destined to Fail

by Carbon Trade Watch and Corporate Europe Observatory
Thursday, 07 April 2011

The EU Emissions Trading System (ETS) has failed to cut carbon emissions and will continue to fail when the new phase is launched in 2013, according to a new briefing published by Carbon Trade Watch and Corporate Europe Observatory [1].

Lobbying from industry, and from national governments, has turned the scheme into a major source of subsidies, with power companies expected to receive windfall profits of over â‚¬70 billion in the current phase, according to the briefing, EU Emissions Trading System: failing at the third attempt. Free permits promised to manufacturing industries in the third phase (2013- 2020) could yield at least â‚¬7 billion in windfall revenues annually.

What is more, some sectors, such as the cement industry, have successfully managed to influence the third phase to prevent incentives to move to cleaner forms of manufacturing.

Fundamental flaws in the design of the market mechanism mean that instead of cutting emissions to meet the EU's carbon target in 2020, power producers and industry will be able to continue polluting as usual until 2017. Newly released figures show a surplus of permits to pollute of 3.2 per cent in 2010. These permits can be carried over to later years, making it possible for emissions increases to continue without significant costs to the industries covered.

Report author Oscar Reyes from Carbon Trade Watch said:

"We were told that the EU Emissions Trading System rules would be tightened in the third phase to ensure real cuts in the EU's carbon emissions â€“ but instead, business is being allowed to continue polluting as usual and the only emissions reductions have been as a result of the economic downturn. The fundamentally flawed scheme is at the mercy of industry lobbying, and those with the loudest voices have managed to win the day â€“ and they will be reward with windfall profits for their efforts.Â Consumers will pay the price in Europe, while those in the global South will continue to bear the brunt of the impacts of climate change."

Belen Balanya, climate researcher at Corporate Europe Observatory added that the evidence from Europe should sound a warning to other governments currently taking part in international climate talks in Bangkok, Thailand.

She said:

"The EU and European industry want to see an even bigger carbon market, extended beyond Europe and including more sectors. But governments around the world should take not. Carbon trading is good for industry profits â€“ but it is an ineffective means of cutting greenhouse gas emissions."

Ends

Contact

Oscar Reyes, Carbon Trade Watch, oscar@carbontradewatch.org, tel: +34 644 139 190

BelÃ©n BalanyÃ¡, Corporate Europe Observatory, belen@corporateeurope.org, tel: +31 633 090 386

Notes:

[1] EU Emissions Trading System: failing at the third attempt, Carbon Trade Watch / Corporate Europe Observatory, April 2011,

See:Â www.carbontradewatch.org and www.corporateeurope.org

Â

download