

European Commission should consider dropping the EU ETS, say environmental NGOs*

by Carbon Trade Watch
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Seven years after its start up, the EU Emission Trading System has failed to achieve its own objectives. The European Commission itself came to this conclusion as it proposed different options to fix the trading mechanism today. An important option is missing from the Commission's document: the abolishment of the EU ETS after 2020.

The ETS is not fit for purpose. It has generated windfall profits for polluting corporations, postponed the needed transition away from fossil fuels and its unintended consequences are locking the EU into another generation of energy production based on fossil fuels. These structural flaws remain unaddressed by the Commission, says Joanna Cabello from Carbon Trade Watch.

The Commission exclusively proposes options to stabilise the price of carbon permits which are traded within the EU ETS. Due to the recent collapse of the carbon price the EU ETS is not providing the price signal for investment in low carbon technology and infrastructure that its proponents have been promising.

This is exposing the inner contradiction in the EU vision about the ETS: can a trading mechanism, where the cap is based on projections of industrial emissions years into the future ever provide a reliable price signal? Experience shows that it cannot, states Jutta Kill from Fern.

An additional structural shortcoming which remains unaddressed by the Commission's proposal is the hole in the cap through the use of carbon offsets in the EU ETS. Offset projects in the South haven't generated the sustainable development they were said to deliver. Moreover, as offsets do not reduce but only displace emissions, any trading scheme allowing the use of offsets will delay the unavoidable reduction of emissions.

Rather than catalysing the transition towards the low carbon society that Europe envisages, the ETS has been a mechanism standing in the way of bold political decisions that could end our current fossil fuel based energy model. In its 2012 World Energy Outlook the International Energy Agency warned yesterday that 2/3 of the proven fossil fuels reserve must stay in the ground in order to avoid a temperature rise by 2 degrees Celsius. It requires political will not a market based mechanism to turn advice like these into practice.

Instead of taking their responsibility, politicians have voluntarily put their main instrument to fight climate change in the hands of the financial markets. As we know market mechanisms have their own dynamic. Profit making and not fighting climate change has become the overriding objective of the players involved in carbon trading. It is an illusion to believe that proposals like the one presented now by the Commission would be able to substantially improve the EU ETS, Cabello concludes.

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