It is time to scrap the ETS!

by scrap-the-euets.makenoise.org
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Civil society organisations demand that the EU scrap its emissions trading scheme

After seven years of failure, the EU's claims that it can â€˜fixâ€™ its collapsing Emissions Trading Scheme (ETS) no longer have any credibility. We believe that the ETS must be abolished no later than 2020 to make room for climate measures that work. The EU ETS, the EU's flagship policy to address climate change, was introduced in 2005 and gave rise to the currently largest carbon market worldwide.[i] The ETS includes â€˜cap and tradeâ€™ and â€˜offsetsâ€™ systems which allow participants to buy and sell emissions permits and offset credits in order to comply with their reduction targets or simply to make a profit on the market. The idea is to reduce industrial greenhouse gas emissions cost-effectively by creating incentives for climate-friendly innovations and so move industry onto a low-carbon path. But the scheme has failed to do so. The EUâ€™s fixation on 'price' as a driver for change not only has locked in an economic system dependent on polluting extractive industries â€“ with fossil fuel emissions increasing sharply in 2010 and 2011.[ii]The failure is also set to spread more widely insofar as the ETS is used as a template for other carbon markets proposed for countries such as Brazil and Australia and as a model for other â€˜ecosystem serviceâ€™ markets in biodiversity, water and soils. EU governments and the European Commission are determined to maintain the ETS as the central pillar of the EUâ€™s climate change policies, with Phase III getting under way in 2013. However, it is evident that the structural failures of the ETS cannot be fixed:

- The ETS has not reduced greenhouse gas emissions. Benefiting from an excess of free emissions permits as well as cheap credits from offset projects in Southern countries, the worst polluters have had little to no obligation to cut emissions at source. Indeed, offset projects have resulted in an increase of emissions worldwide: even conservative sources estimate that between 1/3 and 2/3 of carbon credits bought into the ETS â€œdo not represent real carbon reductionsâ€•.[iii] The reductions reported after 2008 in the EU can be attributed mainly to the economic crisis â€“ with the majority of studies agreeing on the little evidence for a causal link between reductions and the ETS.[iv] Export of industrial production to Southern countries is another source of â€˜reductionsâ€™. A study published in the Proceedings of the US National Academy of Sciences estimates that in some European countries, 'imported' emissions â€“ not counted as European emissions â€“ add up to more than 30% of the total.[v]

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- The ETS has worked as a subsidy system for polluters. The first two phases of the ETS (2005-2007, 2008-2012) allocated free permits according to historical emissions, acting as a de facto subsidy for the biggest polluters. The over-allocation of permits enabled the continued use of existing technologies and rubbed out any incentive for a transition towards low-carbon production processes. Research by CE Delft estimates that almost all of the cost of compliance with the ETS was passed through to consumers. The study suggests that windfall profits from passing through these â€˜costsâ€™ reached â‚¬14 billion between 2005 and 2008.[vi] Electricity producers, too, are free to pass on to consumers the full â€˜opportunity costâ€™ of compliance by increasing electricity prices, resulting in windfall profits of anywhere between â‚¬23 and â‚¬71 billion in the second phase.[vii] Industry lobbying has guaranteed that over 75% of manufacturing industry will continue to receive permits for free at least until 2020 (meaning extra revenue to polluters instead of state coffers of around â‚¬7 billion per year). Every attempt to end this handout has met strong lobbying from energy-intensive industries. In Phase III, only the energy sector will be required to buy permits at auction, and even then, exceptions have been made for utilities in Central and Eastern Europe, including those with a high dependence on coal for electricity generation. None of this should be surprising, as the ETS was designed to appeal to industry. Oil giant BP, with the support of the UK government, was among the firms who lobbied the EU in its favour.[viii]

- The ETS is characterized by volatile and declining carbon prices. Carbon prices have been continuously unstable, and declining overall since 2008. The historical minimum was reached in December 2012 with permits selling at â‚¬5.89 and offset credits at â‚¬0.31.[ix] According to market analysts, there is no prospect of prices reaching levels that would incentive any changes in energy-generating capacity. Even if very predictable high prices could somehow be engineered â€“ which is the opposite of what the ETS is designed to deliver â€“ they would be insufficient to incentivise the structural changes needed to address climate change in the absence of other measures.

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- The ETS increases social and environmental conflicts in Southern countries. The ETS allows companies to use offset credits generated from â€˜emissions savingâ€™ projects implemented largely in Southern countries. The idea is that each tonne of additionally â€˜savedâ€™ carbon generates a credit that allows another tonne to be released somewhere else. The Clean Development Mechanism (CDM), the biggest offset scheme, has been demonstrated to bring severe social and environmental consequences to communities where the projects are implemented, including land and human rights violations, displacements, conflicts and increased local environmental destruction.[x] Yet in spite of growing evidence of negative impacts, offset use in the ETS grew by 85% in 2011.[xi] Many of the companies using offsets have also been selling their (freely awarded) permits, buying CDM credits at a significantly lower price and pocketing the difference.

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- Carbon markets are particularly susceptible to fraud. To create tradable carbon units, measurement of pollution that has or has not occurred has to be carried out using proxy measures and other unreliable and often unverifiable calculation procedures open to abuse. In addition, in 2010 a vast â€˜carousel fraudâ€™ in the EU ETS was revealed to have cost the public more than â‚¬5 billion in lost Value-Added Tax (VAT) revenues.[xii] A German court jailed six people involved in a â‚¬300 million fraud selling carbon permits through Deutsche Bank, and courts in London jailed eleven.[xiii]Big companies like steel producers ThyssenKrupp and Salzgitter have been outed as fraudulent carbon profiteers when, in December 2010, even pro-trading World Wild Fund for Nature demanded (unsuccessfully) that â€˜the EU put a halt to the use of fake offsetsâ€™.[xiv] A few weeks later, credits from the Austrian and Czech governments were stolen, leading to a suspension of ETS market trading.[xv] The UN also had to disqualify its main CDM verification agency in 2009, and in 2011, had to suspend Ukraine due to emissions under-reporting fraud.[xvi]

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- Public money is being squandered on setting up carbon markets that are unable to achieve a public purpose. Taxpayersare being forced to cover the cost of the legislation, regulation and much of the quantification that carbon markets require, as well as the cost of enforcement against fraud, theft, corruption, and tax evasion. Industries covered by the ETS gain subsidies for continuing to pollute, while governments allocate tax monies to compensate for excess emissions or to make up for the generous hand-out to ETS companies. It is estimated that Spain, for example, will need to buy more than 159 million offset credits abroad to achieve its Kyoto commitments.[xvii] At a time when citizens are shouldering severe impacts from the economic crisis and â€˜austerityâ€™ packages, scarce public money is being frivolously diverted toward corporate and banking sectors that created many of the problems in the first place.

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- The ETS locks-in a fossil-fuel economy. The ETS reinforces the logic of over-production and consumption based on fossil fuels. It allows more pollution while implementing â€˜clean developmentâ€™ projects which in practice mainly harm local populations and environments. Coal fire plants, shale-gas, hydraulic fracturing and destructive infrastructure projects are being expanded in Europe.[xviii] The ETS is not only increasing the environmental and climate debt that the industrialised North owes the Global South, it is also exacerbating the climate crisis worldwide â€“ to the particular detriment of vulnerable groups. Even the International Energy Agency has now admitted that at least two-thirds of remaining known fossil-fuel deposits have to be kept underground if the world is to achieve the goal of having a reasonable chance of limiting global temperature rise to 2Â°C[xix] (in itself an insufficient target). The ETS, if it is allowed to continue, will render this impossible.

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- The ETS closes the door to other, genuinely effective climate policies at the same time it reinforces false solutions such as nuclear energy, large-scale dams, agrofuels and industrial tree plantations. For example, it discourages regulation that is seen to interfere with the carbon price. And instead of promoting a â€˜zero-wasteâ€™ philosophy, it encourages automated methane-capture schemes which require more rotting rubbish and which drive out informal waste-pickers and recyclers. In addition, the logic of pollution trading is now being applied to other arenas, such as biodiversity and water crises[xx], resulting in the commodification and financialization of more and more of natureâ€™s capacities, functions and cycles. The dangers are severe; avoiding them requires that the ETS be acknowledged openly as the disastrous precedent that it is. Failure to stop the ETS will result in yet more corporations profiteering at the expense of local populations, including Indigenous and forest-dependent peoples, small-scale farmers and women hosting ecosystem offset projects, together with communities living next to the facilities that buy the credits.

Insisting on trying to â€˜fixâ€™ a system that is broken from the start diverts attention and resources away from just and effective policies. Exporting the ETS failure to other countries in the name of â€˜leadershipâ€™ amounts to another wave of intervention in Southern countries, increasing the social and environmental debt of the North. Although European decision makers preparing to review the ETS appear inclined to try to â€˜fixâ€™ the scheme for a post-2020 phase, the undersigned organisations affirm that there is only one option possible with a clear climate benefit: to end the scheme once and for all.
The struggle against the ETS is the struggle for social, environmental and climate justice. It is a struggle for transforming our energy, transport, agricultural, production, consumption, distribution, disposal and financing systems.
We call on civil society organisations and movements to endorse this call and join the fight to abolish the ETS.

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ORGANIZATIONS-ONLY SIGN ON!

WHERE IT SAYS 'FULL NAME' WRITE THE NAME OF YOUR ORGANIZATION/GROUP, NOT YOUR NAME.
OTHERWISE YOUR SIGNATURE CANNOT BE COUNTED. THANKS.

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[i] The ETS operates in 30 countries: the 27 EU Member States plus Iceland, Liechtenstein and Norway. It covers emissions from aproximately 11,000 installations, including power stations, combustion plants, oil refineries and iron and steel works, as well as factories making cement, glass, lime, bricks, ceramics, pulp, paper and board, reresenting 40% of total EU emissions.

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[xiv] World Wide Fund for Nature (2010) ETS credibility at stake as industrial polluters profit yet again, December 14, http://wwf.panda.org/fr/wwf_action_themes/ politique_europeenne/?uNewsID=197955

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www.icis.com/heren/articles/2011/08/26/9488161/un-suspends-ukraine-from-carbon-trading.html

[xvii] Congreso de los Diputadosâ€"Agricultura, AlimentaciÃ³n y Medio Ambiente (2012) Legislation X, Session 2, February 2012, www.congreso.es/public_oficiales/L10/CONG/DS/CO/CO_033.PDF / Switzerland's UBS bank, not normally celebrated for its public conscience, stated in November 2011 that â€œby 2025, the EU ETS will have cost consumers 210 billion euros. Had this amount been used in a targeted approach to replace the EU's dirtiest plants, emissions could have dropped by 43 per cent, instead of almost zero impact on the back of emissions tradingâ€• (Point Carbon, 'EUAs slide towards 9 euros, hit fresh 33-month low', www.pointcarbon.com/news/1.1683984).

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