EU carbon price collapse demonstrates carbon markets are no climate solution

The overnight collapse of the European carbon price demonstrates the many problems associated with Australia linking our carbon price to the European scheme according to Friends of the Earth Australia.

The EU carbon price collapsed to around AU$3.20 per tonne before rebounding slight to AU$4 per tonne after the EU Parliament last night voted against the “backloading proposal” to postpone the auction of 900 million gigatonnes of the Phase III allowances from 2013-2015 until 2016-2020. “Backloading” was a short-term fix designed to address the current serious over-supply of carbon permits in the EU scheme.

There is currently a 1.68 gigatonne oversupply of carbon credits in the EU ETS, an amount almost equivalent to Europe’s predicted emissions for 2012 (1.952 gigatonnes). It is estimated that if no action is taken to address this oversupply of credits, by the end of Phase III (2013-2020) the oversupply will be a 2.512 gigatonnes.

“Backloading was only ever short term fix which deferred rather than addressed the crisis in the EU emission trading scheme” Beck Pearse Friends of the Earth Australia spokesperson said. “The vote against back-loading now means that the crisis that the EU ETS can no longer be denied. Now is not the time for Australia to be linking to a scheme in crisis.”

In an Open Letter submitted to the Australian government and European Commission, Friends of the Earth Australia wrote

“The EU-Australia ETS linking directive is the wrong move. We are writing to oppose the plans to link two fundamentally flawed schemes from being brought together. We reject emissions trading as a means to reduce emissions. It is ecologically ineffective, benefits polluting industries, distracts from progressive reform, and has shown to have serious social impacts. It’s time to move beyond the ideological disdain for direct regulation, and shift to policy and public investment strategies that work.”

The Open Letter points to several problems with the Australia-EU ETS link including:

- The EU ETS has not reduced emissions;
- The EU ETS is characterized by volatile and declining carbon prices;
- The EU ETS is a subsidy for polluters; and
- Linking to the EU ETS means linking to an accumulated glut of excess emissions currently causing regulatory headaches in the EU.
It also highlights that the Australia Clean Energy Future package has replicated many of the key problems associated with the EU scheme including over compensation for the biggest polluters and a heavy reliance on international offsets to meet reduction targets. The over generous compensation packages for the biggest polluters which will lead to between $2.3billion and $5.4billion in windfall profits going to brown coal generators.

The Letter concludes “Given the urgency of a just transition away from fossil fuel dependence, we are calling for the Australian and EU governments to scrap their carbon markets in order to make way for progressive climate policy.”

It outlines several alternative progressive and effective policy options that should be pursued including:

- Supporting the roll out of 100% renewable energy, especially state-funded, community run renewable energy projects
- Transitions toward zero carbon in stationary energy, building, land use and transport.
- Hypothecated carbon income and corporate taxes could be imposed to fund renewables, to finance just transitions in coal-dependent communities, and to meet international obligations. These taxes would have a progressive effect on income distribution.
- Stop using taxpayers’ money to provide handouts to big coal and gas corporations and make the miners pay their fair share in taxes.
- Reject current development proposals for coal ports, mega-mines, dams and unconventional gas wells in significant areas.
- Put in place an urgent moratorium on coal seam gas and other unconventional gas mining.
- Full phase out the Australian coal export industry
- Decommissioning coal fired power stations
- Create no-go zones to protect productive agricultural land, national tourism icons and all residential dwellings from coal and gas mining.
- Strengthen the Federal environment laws to exclude coal and gas mining from important water sources, cultural heritage sites and sensitive environment areas.
- Put in place national standards on coal and gas pollution and enforce compliance.

The Open Letter to the Australian government and European Commission was also signed by Solidarity, Carbon Trade Watch, FERN, The Corner House, Friends of the Earth Canada, COECOCEIBA - Friends of the Earth Costa Rica, Maryknoll Office for Global Concern and Earth Peoples.

The Open Letter is attached and available at:

PDF (second link): FoEA et al. (2013) EU-Aust link consultation response

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