



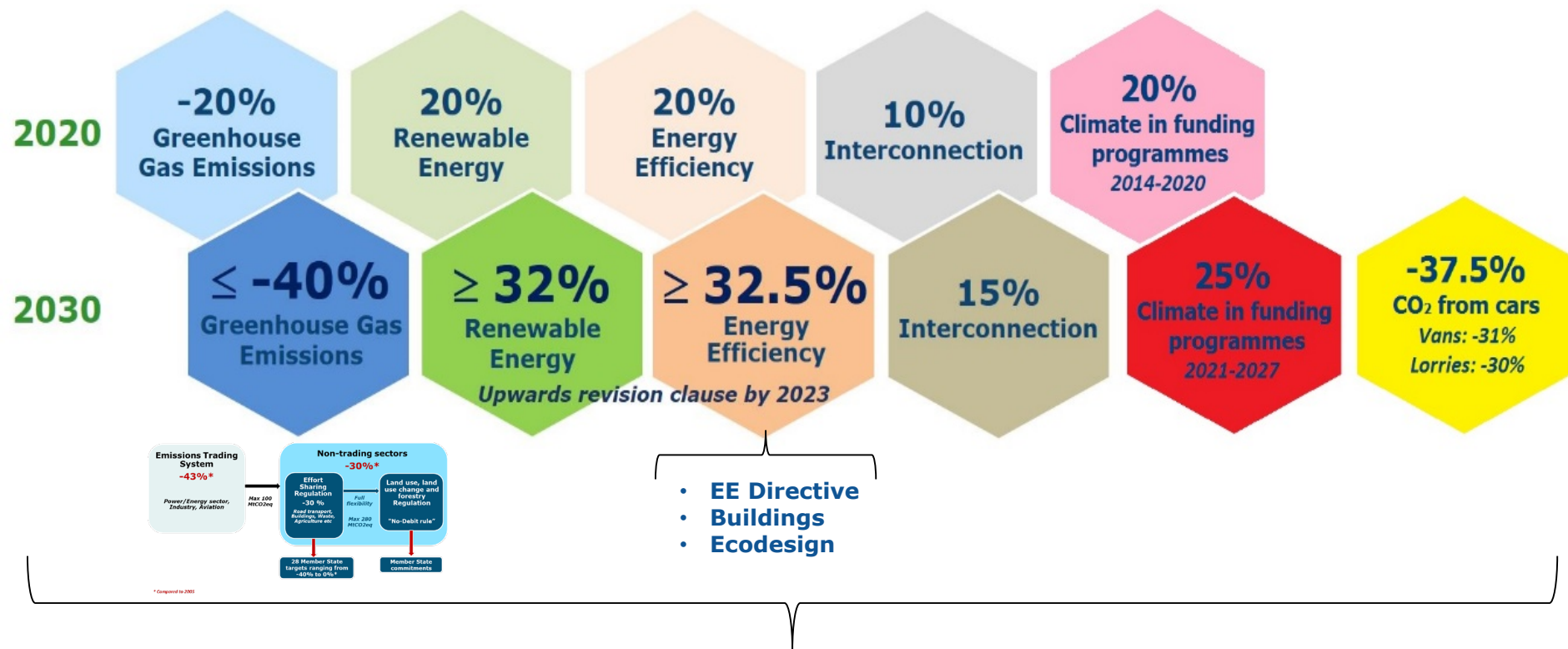
# **Reducing Climate Change: The EU's policy experience, including positive and negative interactions between policies**

**Nordic-Baltic Energy Conference 2019**  
**Good governance, policy design and solutions towards 2030**

***24-25 October 2019***

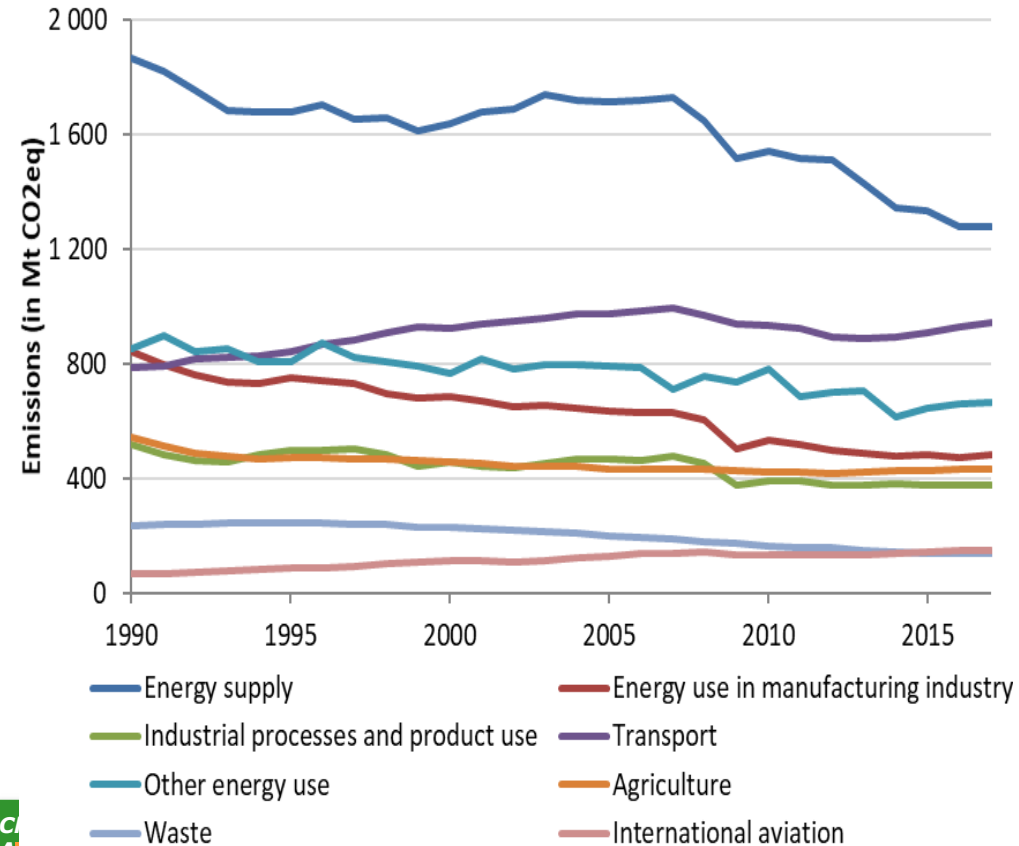
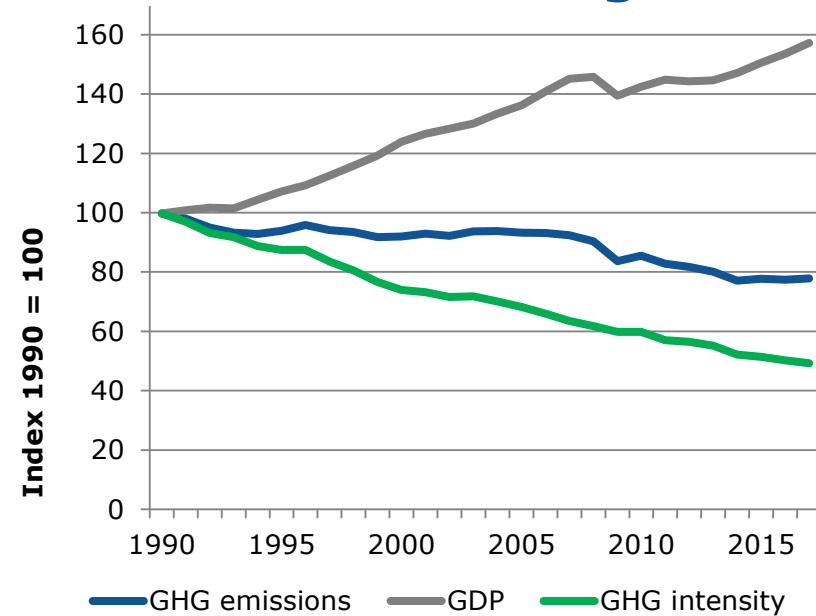
**Climate  
Action**

# Key EU policies implementing its Paris Agreement pledge for 2030

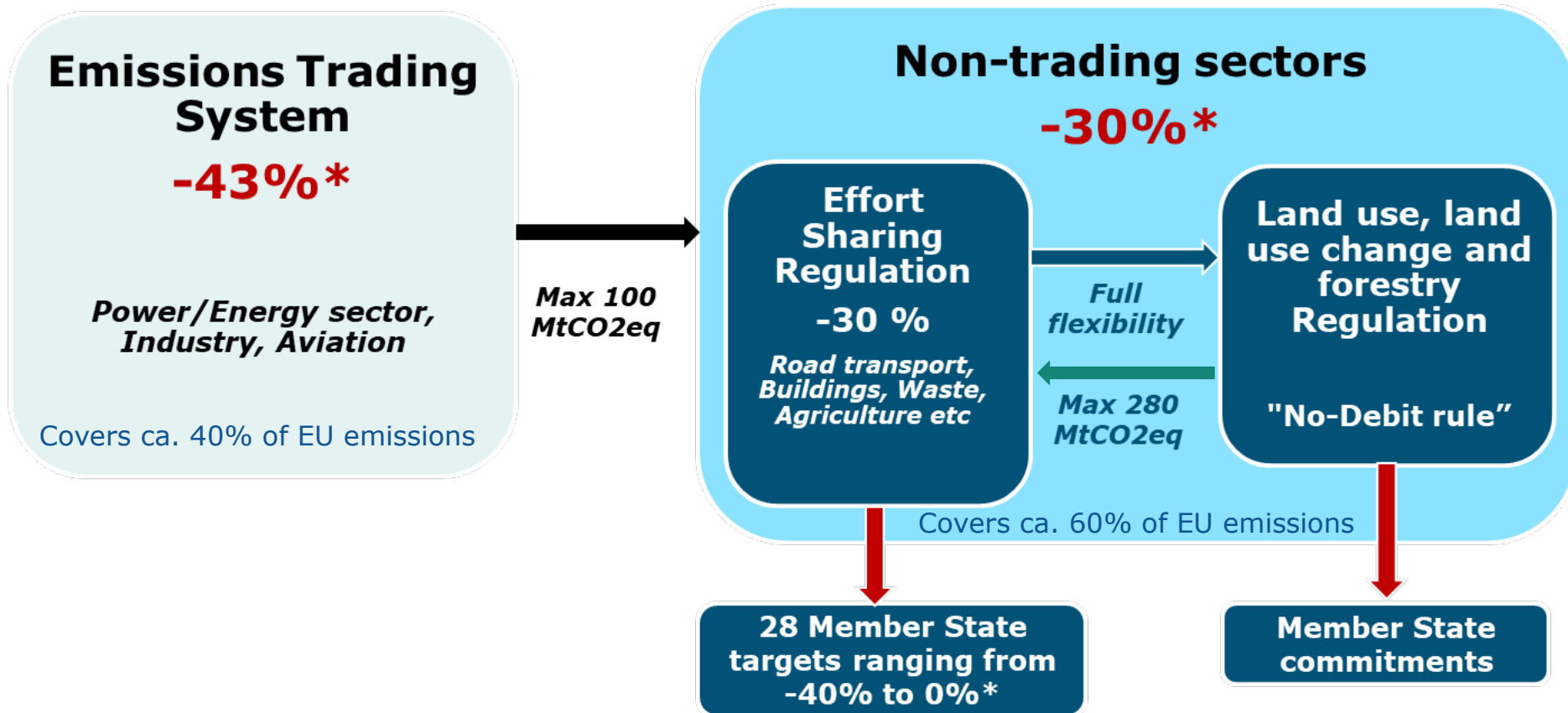


## Energy Union Governance

# Europe since 1990: Growing its economy and reducing its greenhouse gas emissions

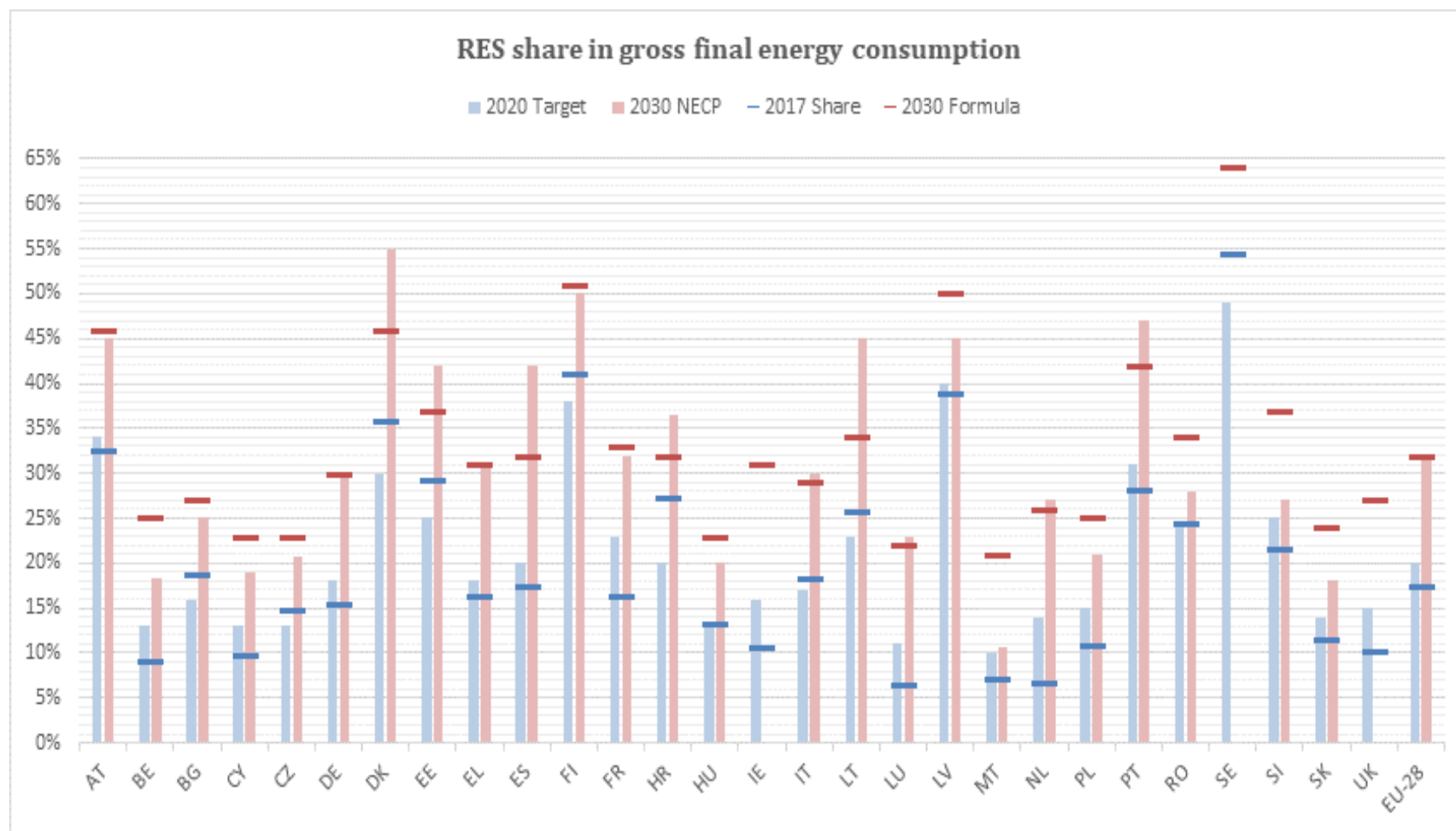


# Three pillars of EU climate policies until 2030



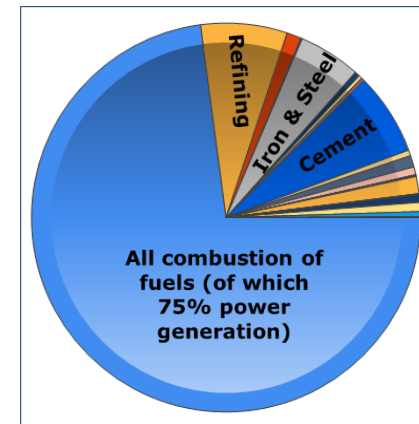
\* Compared to 2005

## *Member States' 2030 renewable energy contributions compared to the 2030 formula, 2020 target and 2017 share, draft NECPs*

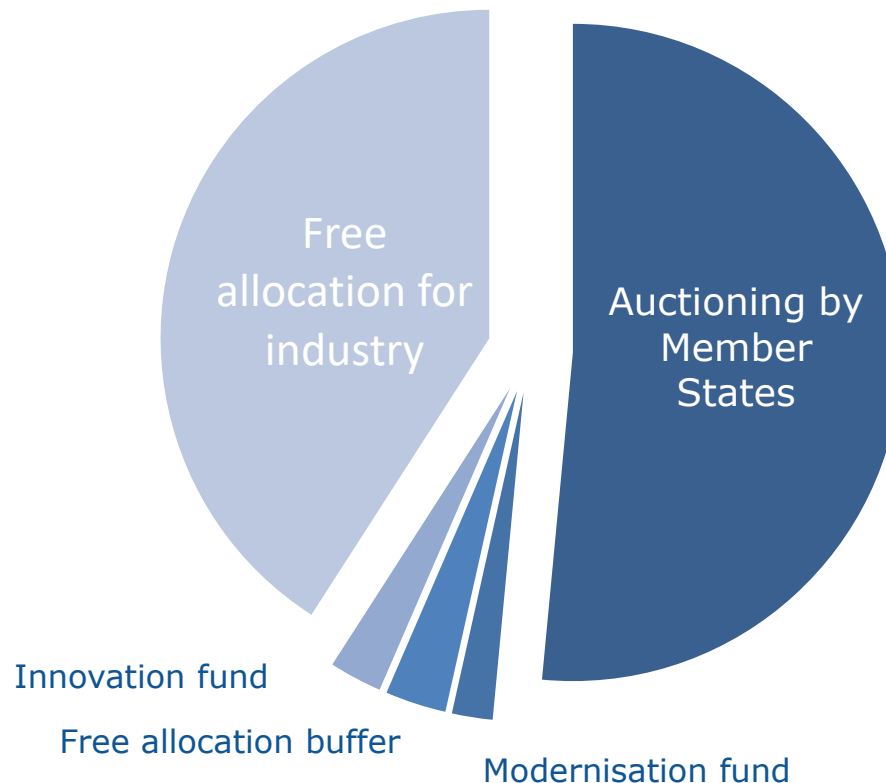


# EU ETS in place since 2005

- Biggest commodity environmental market in the world.
- Essential to price pollution, carbon price today of ~€25/tonne
- Caps total emissions from >10 000 energy-intensive installations: power, steel, cement, lime, chemicals, paper, intra-EEA aviation; 31 countries - around 40% of EU CO<sub>2</sub> emissions
- Shift in 2013 to auctioning for electricity generation: >€42 bn auction revenue since 2013, Member States use 80% of revenues to tackle climate change and support low carbon innovation
- Free allocation for industry, addresses risk of 'carbon leakage'

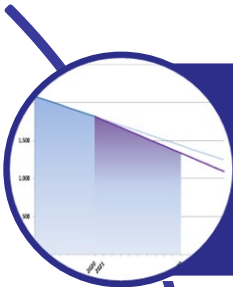


# Structure of the EU ETS in 2021-30 ('phase 4') (15.5 billion allowances, worth €387 billion at current prices)



# Revision of the EU ETS in 2018

**Strengthened the carbon price signal and addressed surplus on EU carbon market**



## **Steeper declining cap**

Annual reduction 2013-2020: -1.74% ( $\approx 38$  Mt CO<sub>2</sub>)

Annual reduction from 2021: -2.2% ( $\approx 48$  Mt CO<sub>2</sub>)



## **Effectively addressing the surplus on the EU carbon market**

Double the feeding rate of the Market Stability Reserve

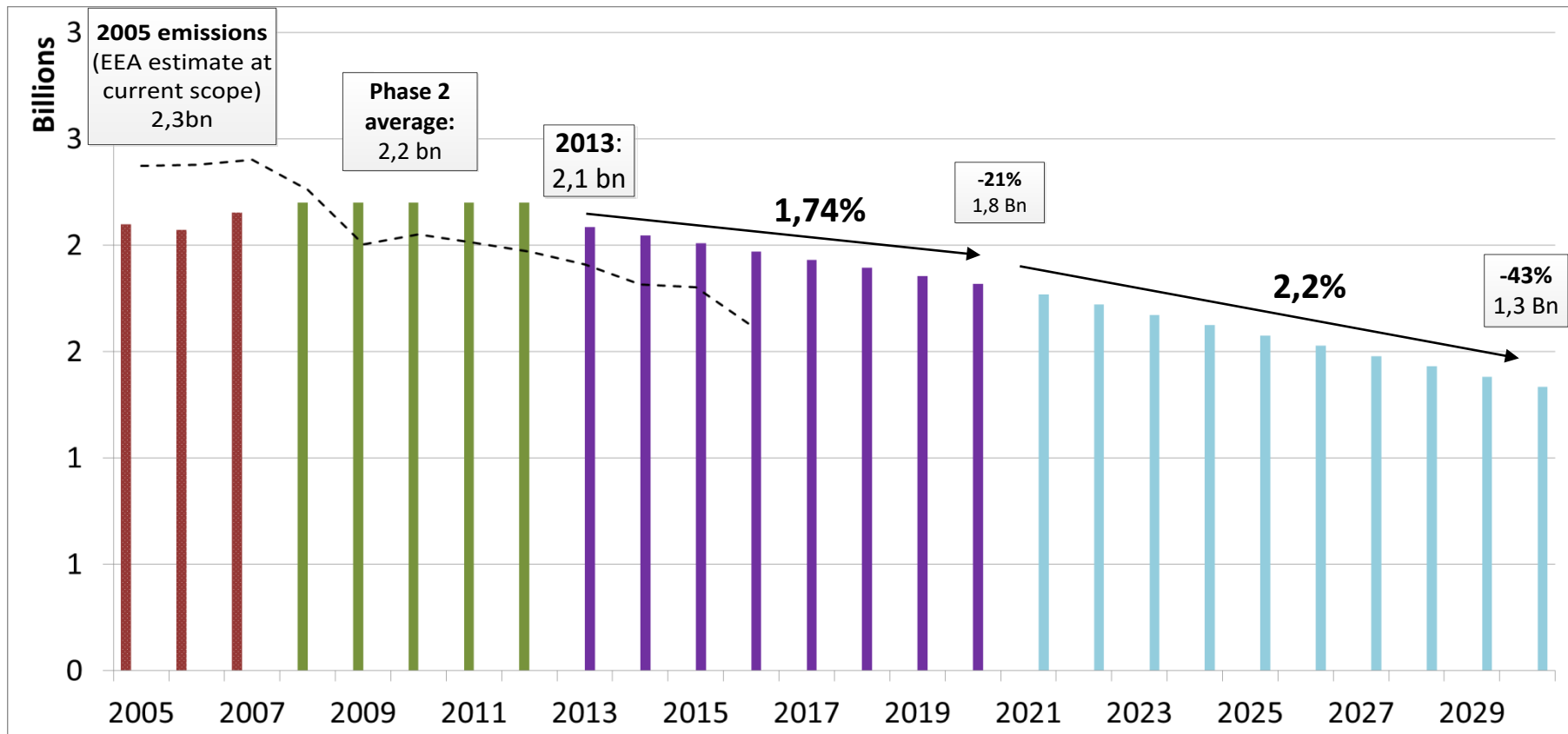
Limit the validity of allowances in the reserve as of 2023



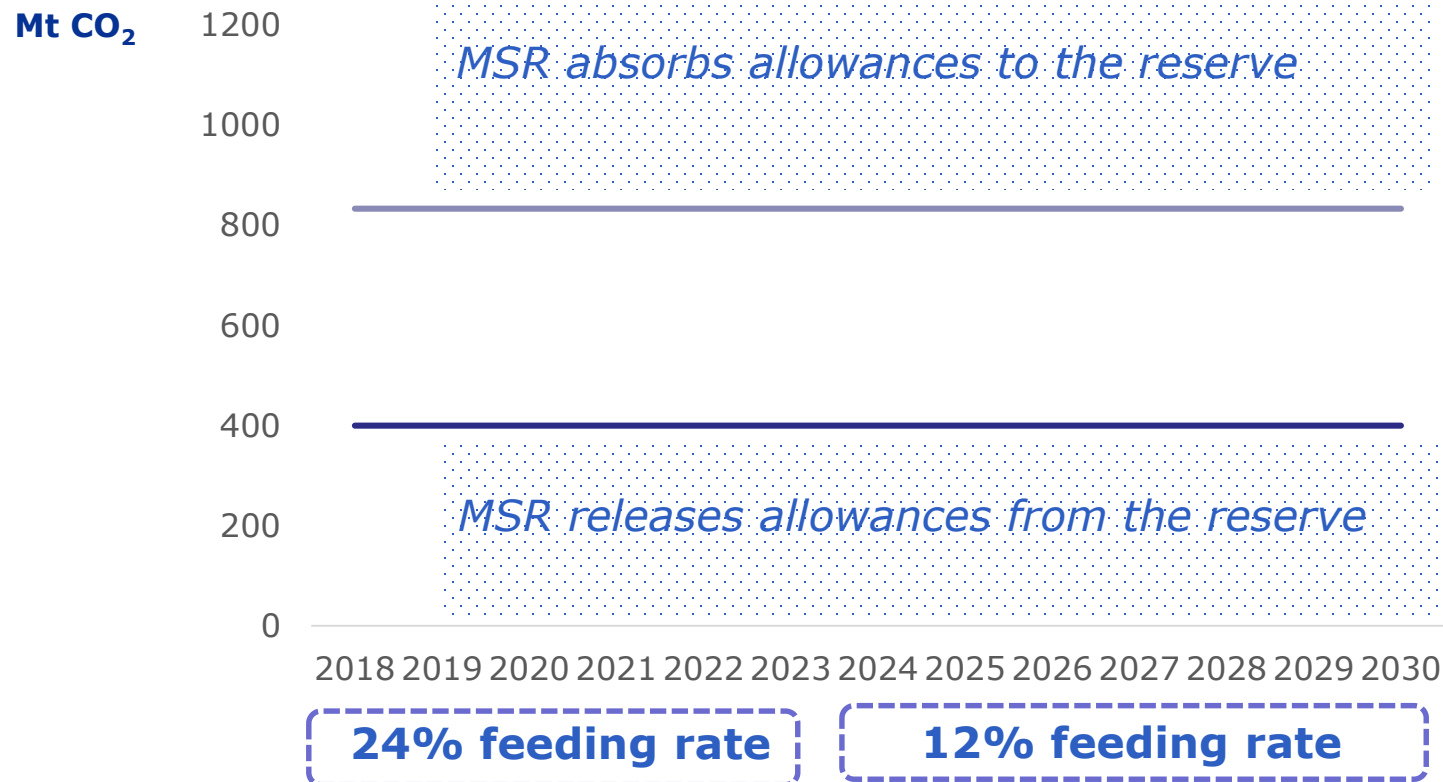
## **Review clause in the context of global stock-take exercise** (country targets in Paris agreement jargon)



# Increase of the Linear Reduction Factor to 2,2% as of 2021

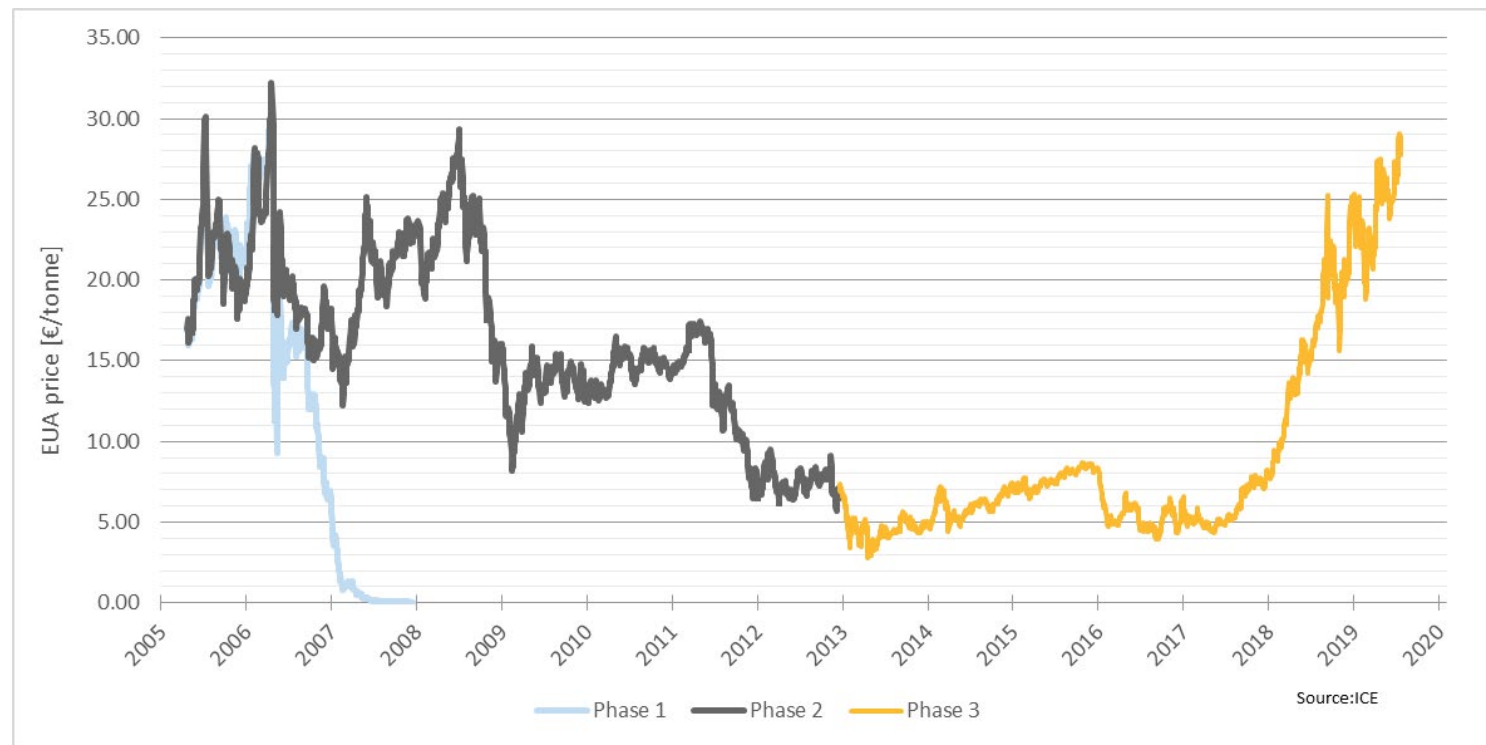


# EU ETS Market Stability Reserve



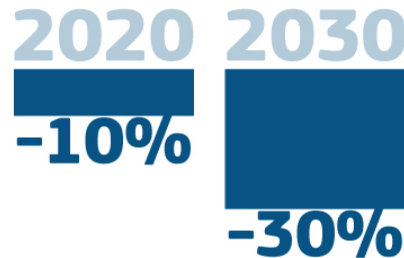
Cancellation of majority of surplus allowances in 2023, unless otherwise decided

# Carbon Price Evolution

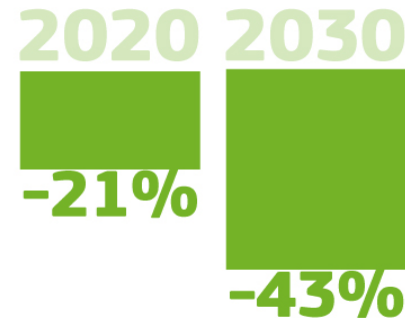


# Prospects for increasing the 2030 target

EMISSION  
REDUCTIONS  
IN ETS AND  
NON-ETS  
COMPARED TO 2005



**NON  
ETS**  
INCLUDING  
ROAD TRANSPORT,  
HOUSING,  
AGRICULTURE  
etc.



**ETS**  
INCLUDING  
POWER/ENERGY  
SECTOR & INDUSTRY

*"We have to be more ambitious when it comes to our 2030 targets.[...]"*

**Ursula von der Leyen**, President-Elect, Political Guidelines

# **Role in the EU long-term net zero-emissions climate strategy**

- Carbon pricing has a crucial role to play in achieving climate neutrality
- EU ETS should continue to ensure emission reductions at the lowest possible cost
- Through the cap, it offers a long-term outlook into the emissions reduction pathway
- Offers support instruments for innovation and modernisation projects
- A possible increased ambition in a 2030 perspective may imply an increased role for the EU ETS also in this timeframe
- What share of additional effort that may come from the EU ETS should be subject to impact assessment



**Thank you for your attention**