Reinforcing ETS as the EU's flagship instrument for CO2 reductions

The Alliance of Liberals and Democrats for Europe Party convening in Budapest, Hungary on 19 to 21 November 2015:

Notes that:

- verified EU emissions fell by 16% from 2005 to 2012 in the sectors covered by the Emissions Trading System (ETS), and by 10% in non-ETS sectors, indicating that the 2020 reduction targets of -21% and -10%, respectively, are likely to be achieved several years in advance;
- the EU ETS is currently the main instrument for reducing greenhouse gas emissions from industry and the energy sector, while at the same time promoting investment in sustainable technologies in a cost-effective and economically efficient way;
- the surplus of allowances due to the economic crisis, the absence of flexible mechanisms and carbon leakage among others, have led to lower carbon prices and thus a weaker incentive to reduce emissions;
- since then, the European Union as well as some member states have also taken complementary measures aimed in whole or in part at reducing CO2 emissions;
- an effective and well-functioning carbon market is a key tool to reduce greenhouse gas emissions cost-effectively;
- without a well-functioning ETS, we will slip back into national measures which fragment the internal market and distort the level playing field;
- several emerging and developed countries are developing various climate policies and investments, including the implementation of their own emissions trading schemes which follow the example of the EU ETS;
- an international cap and trade system could be of significant help in implementing a new, legally binding global climate change agreement;
- the recently-adopted Market Stability Reserve is expected to reduce the surplus of emission allowances and is expected to improve the functioning of the Emissions Trading System;
- 17 emissions trading schemes are in operation in four continents world-wide, covering 40% of global GDP;

Considers that:

- applying market-based mechanisms for tackling climate change is gaining ground globally, and is a liberal and cost-effective approach for emission reductions and levering investments in low-carbon technologies;

Resolution:
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Year and Congress:
Budapest, Hungary 2015

Category:
Environment

Page:

1

- a single greenhouse gas emissions target delivered mainly through the ETS mechanism will fail to tackle the large energy efficiency potential of non-ETS sectors, while resulting in much of the 2030 decarbonisation effort being made through the ETS sectors at a higher cost than necessary; many of the barriers to the delivery of energy efficiency improvements are non-financial in nature and cannot be tackled by the ETS as part of a single approach to greenhouse gas emissions targets;
- structural improvement of the ETS is necessary in order to increase its ability to respond efficiently and automatically to economic fluctuations, thereby eliminating the need for ad hoc market interventions and restoring investors' certainty through a system that is predictable and reliable in the long term;

Calls on the European Commission to:

- strengthen and improve the emission trading system to ensure that it functions as intended, putting a price on emissions, and achieving the Union's long term emission reductions target, and to reinforce it as a real driver for innovation and investment in energy-efficient solutions;
- EU ETS to provide stronger incentives for innovation and continue to ensure that European industries remain competitive on international markets;
- EU ETS revenues to be invested for low-carbon innovation and decarbonisation of our economy and adaptation to climate change measures at all levels of government;
- develop the future prospect of linking the EU ETS with other carbon trading mechanisms worldwide with the aim of creating a global carbon market, which could result in a level playing field for European industry by providing a comprehensive, cost-effective approach to tackling global industrial greenhouse gas emissions.