*** Press release (EU) for immediate release ***

New data adds pressure to rescue Europe's emissions trading scheme

New data released today from the European Commission find the emissions covered by the EU Emissions Trading Scheme (ETS) were 1.7 billion tonnes in 2011, down 2.45% on the previous year [1]. This reduction is unlikely to be a result of the ETS which, including auctions, assigned 163 million excess carbon allowances in 2011 [2], and is most likely a reflection of lower than expected economic output and other climate policies.

This brings the total surplus accrued by the ETS over the current carbon budget to 355 million allowances with auctions included. The largest of these surpluses continue to accrue to the highest emitting manufacturing sectors, steel and cement, which now account for 279 million and 195 million spare allowances respectively [3]. As these surpluses continue to accrue, most analyst now agree that theEuropean carbon market will be oversupplied out to at least 2020, depressing the carbon price, and reducing the market incentives for low-carbon investment for nearly a decade.

The new figures add further pressure to European policymakers to intervene to rescue the troubled scheme before the next carbon budget begins in 2013. The European Parliament have called for urgent and significant intervention to reduce the supply of carbon allowances, and have even inserted legal text in the new Energy Efficiency Directive to this effect. Much hinges on whether this key paragraph survives the final negotiations with the Council and Commission over the next few months on the Directive's way to becoming law.

Commenting on the new data, Damien Morris, Senior Policy Adviser from the climate campaign group Sandbag said: "the political conditions have never been better for policymakers to rescue the ETS from the twin legacies of overallocation and recession. MEPs across the political spectrum now recognize that we need a robust carbon price over the coming decade if we're to reach Europe's longer-term climate goals cost-effectively, and business voices – including major energy companies – are also demanding intervention."

He continues, "but the window is rapidly closing to fix the ETS before the next trading period commences in 2013. It is therefore imperative that the European Council move swiftly to support Parliament's proposal in the Energy Efficiency Directive to withdraw ETS allowances; that way we can present companies with a clear investment framework out to 2020 that is also environmentally robust."

ENDS

The Sandbag Climate Campaign is the NGO leading in research-led campaigning for effective emissions trading. Through expert analysis, hard hitting reports and targeted advocacy we aim to shine a light on what's working and what's not and campaign for changes that could save billions of tonnes of carbon emissions.

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Notes:
[1] Based on a like-for-like analysis of installations which had released data for both years. EU wide, national, sectoral and installation analysis is based on the data released today from the EU Community Independent Transaction Log. Progressively more complete data sets are scheduled for May 2nd and 15th. See http://ec.europa.eu/clima/policies/ets/registries/documentation_en.htm
[2] Auction data is derived from http://ec.europa.eu/clima/policies/ets/auctioning/second/index_en.htm
[3] Allocations to the steel sector have not been adjusted for waste gas transfers as this information is not publically available.