

Union greenhouse gas emission trading scheme: establishment and operation of a market stability reserve

2014/0011(COD) - 02/03/2015 - Committee report tabled for plenary, 1st reading/single reading

The Committee on the Environment, Public Health and Food Safety adopted the report by IVO BELET (EPP, BE) on the proposal for a decision of the European Parliament and of the Council concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and amending [Directive 2003/87/EC](#).

The proposal aims to establish a market stability reserve for the EU Emissions Trading System (EU ETS), as part of the 2030 framework for climate and energy policies. This market stability reserve will operate as of phase 4 starting in 2021.

The committee recommended that the European Parliament's position adopted at first reading following the ordinary legislative procedure should amend the Commission's proposal as follows:

Market stability reserve: the market stability reserve should also ensure synergy with other climate policies such as those on renewable energy and energy efficiency. It shall be **established in 2018 and shall operate by 31 December 2018** (as opposed to 1 January 2018).

Back-loading: [Commission Regulation \(EU\) No 176/2014](#) provided for the "back-loading" of 900 million allowances from the years 2014 - 2016, to years 2019 and 2020 (the end of phase 3 of the ETS).

Members considered that the impact of the auctioning of those back-loaded allowances in 2019 and 2020 would run counter to the desired aim of the current proposal for a market stability reserve, which is a reduction in the surplus of allowances. Therefore, **the back loaded allowances should not be auctioned but instead placed directly in the market stability reserve.**

Use of revenues: the report introduced a **more precise obligation** of how to use the auction revenues will prevent the use of these financial resources to cover state budget deficits. Auction revenues will be then really used to tackle the climate change and to support the transition of the EU to a low carbon economy in accordance with the principles of the Climate and Energy Package from 2008.

Method of allocating allowances: Members proposed that **300 million allowances should be gradually be made available** from the date of operation of the market stability reserve until 31 December 2025 and used for breakthrough industrial innovation projects in the sectors on the basis of objective and transparent criteria referred to in this Decision. **Those 300 million allowances shall be taken from the unallocated allowances**, as defined in this Decision.

Review of Directive 2003/87/EC: by six months from the entry into force of this Decision, the Commission shall review Directive 2003/87/EC, with a view to **effectively protecting the competitiveness of Union industries at genuine risk of carbon leakage**, introducing a more accurate allocation of allowances and incentivising carbon-efficient growth without contributing to the over-supply of allowances.

The Commission shall also consider a **Union harmonised mechanism** to compensate for indirect carbon costs resulting from this Directive so as to ensure a level playing field at global and Union level. If

appropriate it shall, in accordance with the ordinary legislative procedure, submit a proposal to the European Parliament and the Council.

Review of the market stability reserve: within three years of the date of operation of the market stability reserve, the Commission shall review the market stability reserve. In its review, the Commission shall also look into the impact of the market stability reserve on European industrial competitiveness and on the risk of carbon leakage.