

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

2014/0011(COD) - 08/07/2015 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 495 votes to 158, with 49 abstentions, a legislative resolution 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.

Parliament adopted its position at first reading following the ordinary legislative procedure. The amendments adopted in plenary amend the Commission's proposal as follows:

To recall, [Directive 2003/87/EC](#) establishes a system for greenhouse gas emission allowance trading within the Union ('EU ETS') in order to promote reductions of greenhouse gas emissions in a cost-effective and economically efficient manner.

**Market stability reserve:** in order to address that problem and to make the EU ETS more resilient in relation to supply-demand imbalances, so as to enable the EU ETS to function in an orderly market, a **market stability reserve should be established in 2018** and it should be operational as **of 1 January 2019**. The reserve will also enhance synergy with other climate and energy policies.

**The quantity of 900 million allowances** deducted from auctioning volumes during the period 2014-2016, as determined in [Regulation \(EU\) No 176/2014](#) pursuant to Article 10(4) of Directive 2003/87/EC, shall not be added to the volumes to be auctioned in 2019 and 2020 but shall instead be placed in the reserve.

**Allowances not allocated to installations** shall be placed in the reserve in 2020. The Commission shall review Directive 2003/87/EC in relation to those unallocated allowances and, if appropriate, submit a proposal to the European Parliament and to the Council.

According to the amended text, where the conditions are met, beginning in 2019, an amount of allowances corresponding to 12% of the number of allowances in circulation, as set out in the most recent publication of the total number of allowances in circulation by the Commission, should be deducted each year from the auction volumes and placed in the reserve.

In any given year, a corresponding number of allowances should be released from the reserve to Member States in the same proportions and order as applied when placing them in the reserve, and should be **added to auction volumes if the relevant total number of allowances in circulation is less than 400 million**.

To this end, the Commission and the Member States should, without undue delay following the publication of the total number of allowances in circulation by the Commission by 15 May of a given year, ensure that the auction calendars of the common auction platform and, where applicable, of opt-out auction platforms are adjusted to take account of the allowances placed in or to be released from the reserve.

The adjustment of the volume of allowances to be auctioned should be spread over a period of 12 months following the change to the relevant auctioning calendar.

**Review:** the Commission shall **monitor the functioning of the reserve** in the context of the report provided for in Directive 2003/87/EC. That report should consider relevant effects on competitiveness, in particular in the industrial sector, including in relation to GDP, employment and investment indicators.

Within three years of the start of the operation of the reserve and at five-year intervals thereafter, the Commission shall, on the basis of an analysis of the orderly functioning of the European carbon market, **review the reserve** and submit a proposal, where appropriate, to the European Parliament and to the Council.

Each review shall pay particular attention to the percentage figure for the determination of the number of allowances to be placed in the reserve pursuant to this Decision, as well as the numerical value of the threshold for the total number of allowances in circulation and the number of allowances to be released from the reserve pursuant to this Decision. In its review, the Commission shall also look into the impact of the reserve on growth, jobs, the Union's industrial competitiveness and on the risk of carbon leakage.