Revision of the Market Stability Reserve for the EU Emissions Trading System

2021/0202(COD) - 16/03/2022 - Committee report tabled for plenary, 1st reading/single reading

The Committee on the Environment, Public Health and Food Safety adopted the report by Cyrus ENGERER (S&D, MT) on the proposal for a decision of the European Parliament and of the Council amending Decision (EU) 2015/1814 as regards the amount of allowances to be placed in the market stability reserve for the Union greenhouse gas emission trading scheme until 2030.

Members support the Commission's proposal to ensure that the **current parameters of the market stability reserve (24% intake rate and minimum quantity to be placed in the reserve of 200 million allowances) are maintained beyond 2023** and until the end of phase IV of the EU Emissions Trading Scheme (EU ETS) on 31 December 2030, in order to ensure market predictability. The market stability reserve allowance rate would return to 12% after 2030.

The report pointed out that if the rate of the total number of allowances in circulation to be placed in the reserve each year reverts to 12 % after 2023, a significant and harmful surplus of allowances in the EU ETS could disturb market stability and the proper functioning of the EU ETS, and as a result jeopardise the achievement of greenhouse gas emission reductions necessary to meet legally binding climate targets. It is therefore important to ensure that the rate does not fall below 24% after 2023 and that the minimum number of allowances to be placed in the reserve does not fall below 200 million.

The committee responsible introduced a number of changes in the recitals of the proposal. The report stressed the following points:

- the urgency of the need to keep the Paris Agreement goal of 1.5 °C alive has become more significant following the findings of the IPCC in its report of 7 August 2021 entitled ‘Climate Change 2021: The Physical Science Basis’. The EU ETS, and therefore the reserve, should also be aligned with the efforts to limit the global temperature increase to 1.5°C above pre-industrial levels, recognising that this would significantly reduce the risks and impacts of climate change;

- the need to act urgently on the increased frequency and intensity of extreme weather events as a direct consequence of climate change. The EU should address this urgency by stepping up its efforts and establishing itself as an international leader in the fight against climate change;

- the need to mitigate climate change to maintain and improve the health of biodiversity, which also protects human health;

- the importance of achieving the EU's binding commitment to reduce net greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels while leaving no one behind in a just transition.

The Commission should continuously monitor the functioning of the reserve and ensure that the reserve remains fit for purpose in the event of future unpredictable external shocks.

Members consider that the rate of 24 % after 2023 should be established separately from the general review of Directive 2003/87/EC and Decision (EU) 2015/1814 to strengthen the EU ETS in line with the Union’s increased climate ambition for 2030 to ensure that there is market predictability.