



Funding Climate Action: the EU Emissions Trading System and its Auctioning Revenues

Project

Duration

Jul - Nov 2016

Reaching an emissions pathway consistent with the Paris Agreement requires a transformation of the economy and entails significant public and private expenditure. Auctioning revenue generated by the EU Emissions Trading System (ETS) could contribute a critical share of this funding. Ecologic Institute was tasked by WWF European Policy Office (EPO) to execute a series of studies on how auctioning revenues are used by EU Member States for climate finance and what impact proposed reforms to the instrument may have going forward. The key aims of the project are to show the use of auctioning revenues by Member States and assess how reforms to the EU ETS affect auctioning revenues and use.

EU law requires Member States to report on their climate finance activities. This includes total revenue raised from the EU ETS and how it is put to use for domestic and international climate action. However, the reporting suffers from multiple weaknesses, including a lack of comparability between countries, a lack of coherence in terms of how information and data are represented and a lack of accuracy in the underlying data.

In an initial step, Ecologic Institute compiled data available from the reporting under the Monitoring Mechanism Regulation (Article 17) in order to track, compare and assess the use of auctioning revenues for each EU Member State. Next, Ecologic Institute conducted a review of proposed reforms to the EU ETS in order to assess how future developments may impact the total amount of auctioning revenues and their use of to finance climate change action.

Country-specific and general results from both the analysis of revenue data and the review of future instrument reforms as well as associated policy recommendations for both are presented in a [technical report](#). A [summary](#), targeted at stakeholders and the interested general public, shows the main findings of the report.

Finally, using data compiled for the analysis, Ecologic Institute developed an [easy-to-use web tool](#) that displays ETS auctioning revenue data for the EU Member States since the beginning of the third trading period in 2013. The intuitive and navigable web interface is designed to be used by the public as well as experts and academics and allows the user to visualize and compare revenues by country and year using one or more graphical representations. The tool incorporates multiple indicators including type of use (e.g. cross-cutting actions, promotion of renewable energy, energy efficiency etc.), share used in/outside the EU, actions in/outside the EU and channels used to support developing countries.

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