Smart Cash for the Climate: Maximising Auctioning Revenues from the EU Emissions Trading System

An analysis of current reporting by Member States and options for improvement

Publication

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Member States earned close to EUR 12 billion from auctioning in the EU Emissions Trading from 2013 to 2015 with over 80% of the money so far spent on climate action â most of it in the EU. The funding mainly went to renewables, efficiency and cross-cutting programmes. The national reports on the use of auctioning revenues, however, contain mistakes while there seems to be no frequent quality review at present.

The revenues from auctioning were lower than anticipated due to structural surplus that has depressed the carbon price and reduced auction revenue. The new proposal for the EU ETS directive by the Commission represents an additional EUR 120 billion in lost revenue due to keeping free allocation.

Our recommendations:

1. Increasing revenues: increase both volume AND price through reducing the level of free allocation, a higher linear reduction factor, a lower initial starting point for the cap and cancellation of surplus allowances.
2. Strengthening use: mandatory earmarking & a new EU Intâl Climate Finance Fund: require earmarking of revenues and that vast majority goes to climate action; and create a sizable new EU International Climate Finance Fund to ensure that a certain guaranteed minimum amount of funding is going towards supporting developing countries in tackling climate change and its impacts.
3. Better information: enhanced template with automatic checks, and quality review.

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