



The European Emissions Trading Scheme: Coming of Age?

An Assessment of the EU Commission Proposal for a Review of the Scheme

Publication

[Article](#)

Citation

Görlach, Benjamin; Olaf Hölzer-Schopohl and Hauke Hermann 2008: "The European Emissions Trading Scheme - Coming of Age?". Carbon & Climate Law Review, Vol. 2, No. 1, 105-109.

Based on the first three years of experience with the European Union Emissions Trading Scheme (EU ETS), the European Commission has put forward its proposals for a review of the scheme on 23 January 2008. This article by Benjamin Görlach, Olaf Hölzer-Schopohl, and Hauke Hermann, a Fellow with Ecologic, summarises some of the main changes proposed by the Commission in response to identified deficits, and outlines some of the most contentious points expected to feature prominently in further debate.

The EU ETS is the cornerstone of the European efforts to reduce greenhouse gas (GHG) emissions, with about 41% of all GHG emissions in the EU covered by the scheme in 2005. It is also one of the most significant examples of market-based instruments used for environmental policy. Both in terms of the number of actors and in terms of transaction volumes, it by far exceeds previous cap-and-trade schemes. Adding to its complexity is the fact that the scheme involves installations in 27 EU Member States. Yet, the experiences garnered in the scheme's first three years of operation, as well as the ambitious climate targets set by the Spring 2007 European Council, have underlined the case for a thorough review and refinement of the EU ETS.

The Commission proposes auctioning as the basic principle of allocation, with some types of installations receiving free allocation until 2020 on the basis of transitional rules. Likewise, exemptions may be granted to sectors exposed to international competition in order to manage the risk of carbon leakage. As a result, the distribution of auctioning proceeds among Member States, as well as the identification of sectors eligible for exemptions, will probably take centre stage in the forthcoming political negotiation process.

Language

English

Authorship

Benjamin Görlach
Hauke Hermann

Olaf Hölzer-Schopohl

Published in

Journal: [Carbon & Climate Law Review \(CCLR\)](#), Vol. 2 | No. 1

Published by

[Lexxion](#), Germany

Year

2008

Dimension

5 pp.

ISSN

1864-9904

Table of contents

1. Introduction
2. The EU ETS: Lessons Learnt and the Need for Improvement
3. Changes Proposed by the Commission
 - 3.1 Central EU Cap
 - 3.2 Harmonised Allocation Rules
 - 3.3 Distribution of Auctioning Shares
 - 3.4 Coverage of the EU ETS
 - 3.5 Inclusion of Project Credits
4. Contentious Points in the Commission Proposal
5. Conclusion

Keywords

[Climate](#)

emissions trading scheme, EU ETS, climate change, greenhouse gas emissions, carbon market, cap-and-trade-schemes, allocation, auctioning, carbon leakage

Source URL: <https://www.ecologic.eu/2357>