



EUROPEAN COMMISSION - PRESS RELEASE

Emissions Trading: Commission prepares for change of the timing for auctions of emission allowances

Brussels, 25 July 2012 – The European Commission initiated in mid-April the review of the auction time profile of the EU Emissions Trading System (ETS) and proposes today a Decision to clarify the provisions of the EU ETS Directive on the timing of auctions of emission allowances.

Climate Action Commissioner Connie Hedegaard said: *"The EU ETS has a growing surplus of allowances built up over the last few years. It is not wise to deliberately continue to flood a market that is already oversupplied. This is why the Commission today has paved the way for changing the timing of when allowances are auctioned. This short-term measure will improve the functioning of the market. If the political will is there, all the necessary decisions can be taken before the next auctioning phase starts at the beginning of 2013. Now it is up to the European Parliament and Member States to deliver. After the summer recess, the Commission will also finalise the options for long-term structural measures."*

In phase three of the EU ETS – running from 2013 to 2020 – a large amount of allowances will be auctioned, with the revenues accruing to Member States.

Backloading of auction volumes

In 2010 the time profile, i.e. the distribution of auctioned volumes over the eight years of the third trading period, was laid down in a Commission Regulation. In 2011 an amendment to this time profile was decided with the effect of advancing some auction volume from 2013 and 2014 into 2012 with the objective of ensuring an orderly transition from phase 2 to phase 3. Macroeconomic developments in recent years give reason to consider another amendment of this time profile by postponing or 'back-loading' some auction volume from 2013-2015 towards the end of phase 3.

To get this work underway and provide the market with the necessary stability for such a possible change of the time profile, the Commission is today proposing a specific technical amendment to the ETS Directive which aims to clarify that the timing of auctions within a trading period may be changed, in exceptional circumstances, by the Commission through amending the Regulation on auctioning in order to ensure the orderly functioning of the carbon market.

To gather early views from Member States, including on the amount of auctioned allowances which should be back-loaded, the Commission is today also

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transmitting a draft for a future amendment to the Auctioning Regulation to the EU Climate Change Committee.

Further information is available in a Commission Staff Working Document.

Later this year the Commission will present a first report on the functioning of the European carbon market. This offers an opportunity to launch a thorough debate on what structural measures might be needed to address the challenges in the EU ETS.

Background: EU ETS and phase three

The EU ETS covers about 11,000 industrial installations and 45% of the EU's emissions. From this year aviation is also included in the EU ETS.

In the third phase of the EU ETS (2013-2020), emissions from industrial installations have to be brought down to 21% below 2005 levels.

The main changes in the third trading phase are:

- Transition from caps set at Member State level to one single EU-wide cap per sector;
- Transition from mainly free allocation to more than half of the allowances being auctioned;
- Harmonisation of free allocation rules based on ambitious EU-wide benchmarks;

More information on the EU ETS can be found at
http://ec.europa.eu/clima/policies/ets/index_en.htm

Documents can be found at
http://ec.europa.eu/clima/policies/ets/auctioning/third/documentation_en.htm