

Article – Carbon leakage: prevent firms from avoiding emissions rules



Existing carbon pricing measures in the EU

Under the current emissions trading system (ETS), which provides financial incentives to cut emissions, power plants and industries need to hold a permit for each tonne of CO₂ they produce. The price of those permits is driven by demand and supply. Due to the last economic crisis, demand for permits has dropped and so has their price, which is so low that it discourages companies from investing in green technologies. In order to solve this issue, [the EU will reform ETS](#).

What the Parliament is asking for

The new mechanism should align with World Trade Organisation rules and encourage the decarbonisation of EU and non-EU industries. It will also become part of the EU's future [industrial strategy](#).

By 2023, the Carbon Border Adjustment Mechanism should cover power and energy-intensive industrial sectors, which represent 94% of the EU's industrial emissions and still receive substantial free allocations, according to MEPs.

They said that it should be designed with the sole aim of pursuing climate objectives and a global level playing field, and not be used as a tool to increase protectionism.

MEPs also support the European Commission proposal to use the revenues generated by the mechanism as [new own resources](#) for the [EU's budget](#), and ask the Commission to ensure full transparency about the use of those revenues.

The Commission is expected to present its proposal on the new mechanism in the second quarter of 2021.

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