

# EU Emissions Trading System: landmark agreement between Parliament and Council delivers on EU's commitment to turn Paris Agreement into reality

The European Parliament and Council have today reached a provisional agreement to revise the EU Emissions Trading System (EU ETS) for the period after 2020. This revision will contribute to put the EU on track to achieving a significant part of its commitment under the Paris Agreement to reduce greenhouse gas emissions by at least 40% by 2030.

Today's deal between Parliament and Council provides a clear outcome after more than two years of intensive negotiations, following the Commission's proposal to revise the EU ETS in July 2015.

Welcoming the political agreement, Commissioner for Climate Action and Energy **Miguel Arias Cañete** said: *"Today's landmark deal demonstrates that the European Union is turning its Paris commitment and ambition into concrete action. By putting in place the necessary legislation to strengthen the EU Emissions Trading System and deliver on our climate objectives, Europe is once again leading the way in the fight against climate change. This legislation will make the European carbon-emissions market fit for purpose. I welcome in particular the robust carbon leakage regime that has been agreed and the measures further strengthening the Market Stability Reserve."*

The EU Emissions Trading Scheme puts a cap on the carbon dioxide (CO<sub>2</sub>) emitted by more than 11,000 installations in the power sector and energy intensive industry through a market-based cap and trade system.

Building on the Commission's proposal, the main improvements agreed by Parliament and Council include:

- Significant changes to the system in order to speed up emissions reductions and strengthen the Market Stability Reserve to speed up the reduction of the current oversupply of allowances on the carbon market;
- Additional safeguards to provide European industry with extra protection, if needed, against the risk of carbon leakage;
- Several support mechanisms to help the industry and the power sectors meet the innovation and investment challenges of the transition to a low-carbon economy.

## **Next steps**

Following the political agreement (a 'trilogue' negotiation between the European Parliament, the Council and the Commission), the text will have to be formally approved by the European Parliament and the Council. Once endorsed by both co-legislators, the revised EU ETS Directive will be

published in the Official Journal of the Union and enters into force 20 days after publication.

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