



ETS market stability reserve: MEPs strike deal with Council

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A draft law to reform the EU Emissions Trading Scheme (ETS), by reducing the surplus of carbon credits available for trading into order to support the price, was informally agreed upon by MEPs and the Latvian Presidency of the EU Council of Ministers on Tuesday. The surplus reserve would start operating in 2019.

The proposed law would create a system that automatically takes a portion of ETS allowances off the market and into the reserve if the surplus exceeds a certain threshold. In the opposite scenario, allowances could be returned to the market.

“We have struck a good balance between an ambitious and effective reform of the ETS and strong guarantees to ensure that Europe’s energy-intensive industries are not obliged to move their production facilities to countries outside the EU with less stringent climate policies”, said [Ivo Belet \(EPP, BE\)](#), who is steering the legislation through Parliament.

“The Market Stability Reserve is an efficient, market-driven tool that will stabilise our ETS system, the central pillar of Europe’s sustainability and climate policy”, he added.

“The compromise reached today is satisfactory for all parties. This reform puts the EU in a leading position for the upcoming Climate Conference (COP21) in Paris and enables us to propose concrete plans to achieve the 2030 climate targets” said Environment Committee chair [Giovanni La Via \(EPP, IT\)](#).

Early start in 2019

The Market Stability Reserve would start operating earlier than initially foreseen. The reserve would be established in 2019 – instead of in 2021 as originally proposed by the European Commission.

Backloaded and unallocated allowances

Under Tuesday’s deal, the 900 million “backloaded” allowances would be placed in the reserve, as would the roughly 600 million unallocated allowances (subject to the overall review of the ETS directive), in line with the initial position that MEPs approved in February.

Solidarity allowances for certain member states

MEPs and the Latvian Presidency also agreed that so-called “solidarity allowances”, amounting to 10% of the annual total and allocated to certain EU member states in Central and Eastern Europe, would be exempt from the reserve until 2025.

Innovation fund

To promote low-carbon industrial innovation projects, the European Commission will have to consider, in the context of the upcoming ETS review, whether to establish an “innovation fund” of 50 million allowances.

Next steps

The provisional agreement will have to be confirmed by the EU Council of Ministers’ committee of permanent representatives (COREPER) on 13 May. The Environment

Press release

Committee would then vote on the agreement on 26 May, followed by Parliament as a whole in July.

Further information

- Procedure file:
[http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2014/0011\(COD\)&l=en](http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2014/0011(COD)&l=en)
- Committee on the Environment, Public Health and Food Safety:
<http://www.europarl.europa.eu/committees/en/envi/home.html>

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