



## Meaningful EU pollution pricing

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# Reforming the EU ETS

# Why the EU Emissions Trading System?

## Art. 191 of TFEU:

“Union policy on the environment shall be based on the precautionary principle [...] environmental damage should as a priority be rectified at source and that **the polluter should pay.**”

## Art.1 of ETS Directive:

“Reductions of greenhouse gas emissions in a cost-effective and economically efficient manner [...] so as to contribute to the levels of reductions that are considered scientifically necessary to **avoid dangerous climate change.**”



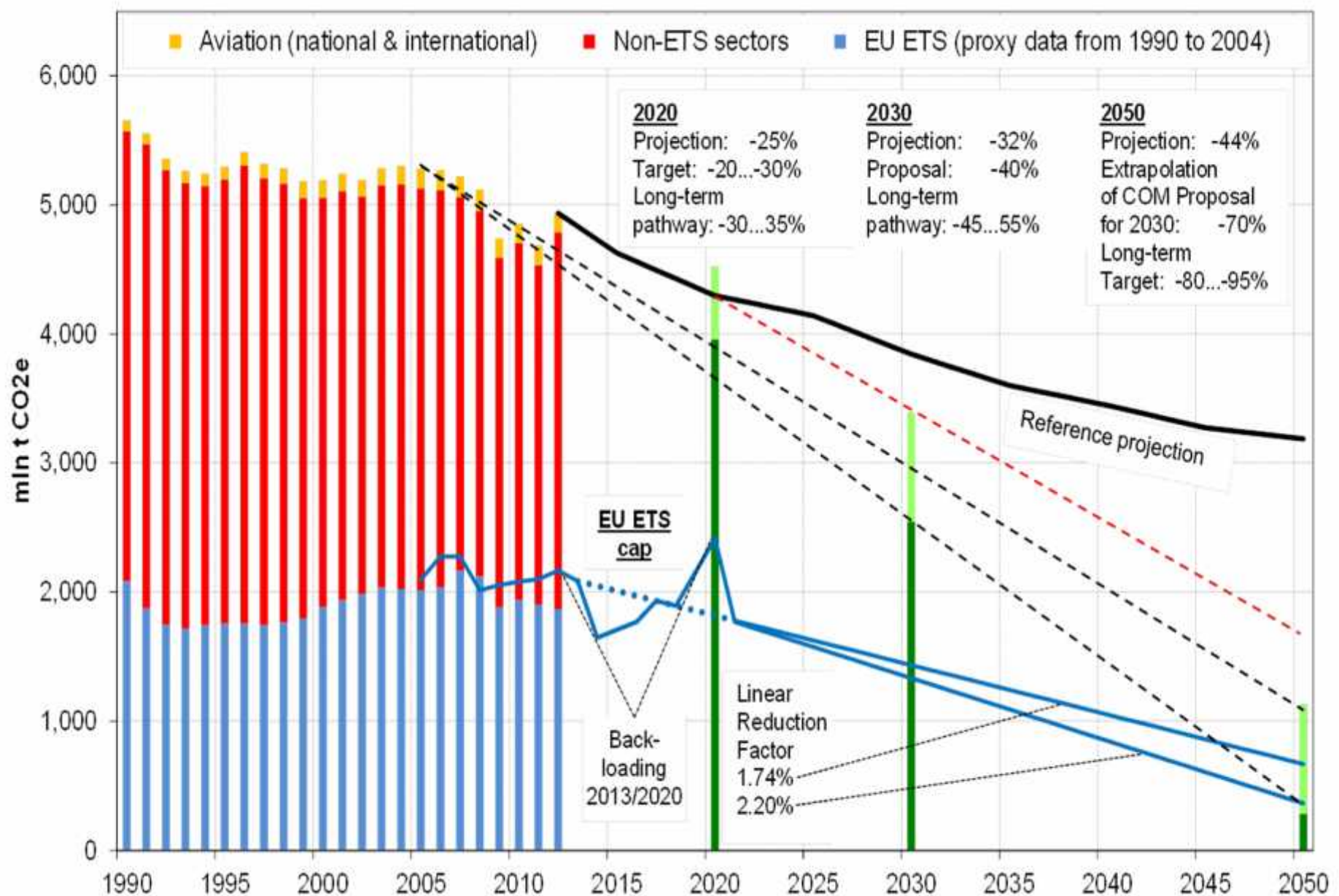
# The Paris Agreement

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“Holding the increase in the global average temperature **to well below 2 °C** above pre-industrial levels and to **pursue efforts to limit the temperature increase to 1.5 °C** above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change”



# The way to 95% reductions



Source: UNFCCC, European Commission, calculations by Öko-Institut

# The pollution cake



# Carbon leakage?

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- 17 ETS worldwide
- 4 continents
- 40% of global GDP



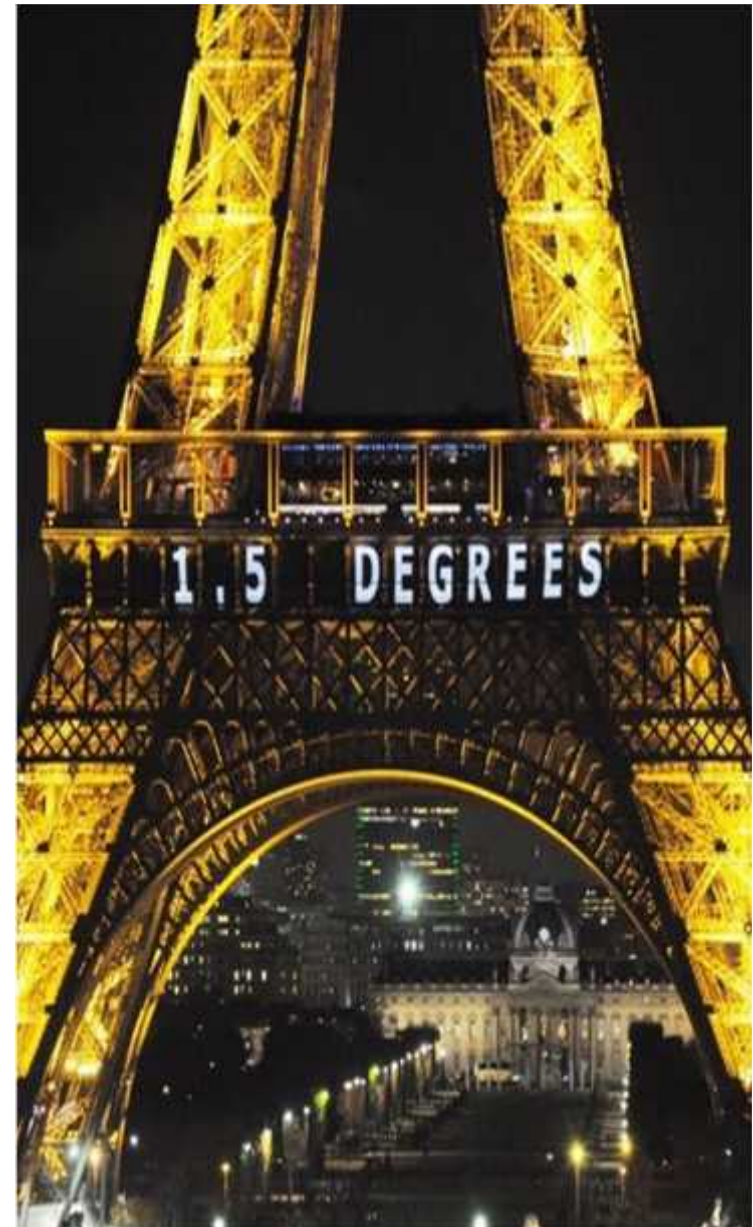


# ETS funding the transition



# ETS reform and the Paris agreement

- 1.5°C goal serves to enhance the Linear Reduction Factor
- Pre-2020 surplus allowances cancellation
- Recognise climate efforts of other countries by updating the carbon leakage provisions
- Auctioning revenues for domestic and international climate finance
- Align the EU ETS with 5-yearly cycles







**Now is the time for  
climate action**