***I
DRAFT REPORT

on the proposal for a decision of the European Parliament and of the Council amending Decision (EU) 2015/1814 as regards the amount of allowances to be placed in the market stability reserve for the Union greenhouse gas emission trading scheme until 2030 (COM(2021)0571 – C9-0325/2021 – 2021/0202(COD))

Committee on the Environment, Public Health and Food Safety

Rapporteur: Cyrus Engerer
Symbols for procedures

* Consultation procedure
*** Consent procedure
***I Ordinary legislative procedure (first reading)
***II Ordinary legislative procedure (second reading)
***III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

Amendments to a draft act

Amendments by Parliament set out in two columns

Deletions are indicated in bold italics in the left-hand column. Replacements are indicated in bold italics in both columns. New text is indicated in bold italics in the right-hand column.

The first and second lines of the header of each amendment identify the relevant part of the draft act under consideration. If an amendment pertains to an existing act that the draft act is seeking to amend, the amendment heading includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend.

Amendments by Parliament in the form of a consolidated text

New text is highlighted in bold italics. Deletions are indicated using either the symbol or strikeout. Replacements are indicated by highlighting the new text in bold italics and by deleting or striking out the text that has been replaced.

By way of exception, purely technical changes made by the drafting departments in preparing the final text are not highlighted.
## CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION</td>
<td>5</td>
</tr>
<tr>
<td>EXPLANATORY STATEMENT</td>
<td>11</td>
</tr>
</tbody>
</table>
DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a decision of the European Parliament and of the Council amending Decision (EU) 2015/1814 as regards the amount of allowances to be placed in the market stability reserve for the Union greenhouse gas emission trading scheme until 2030 (COM(2021)0571 – C9-0325/2021 – 2021/0202(COD))

(Ordinary legislative procedure: first reading)

The European Parliament,

– having regard to the Commission proposal to Parliament and the Council (COM(2021)0571),

– having regard to Article 294(2) and Article 192(1) of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C9-0325/2021),

– having regard to Article 294(3) of the Treaty on the Functioning of the European Union,

– having regard to the opinion of the European Economic and Social Committee of [...]¹,

– having regard to the opinion of the Committee of the Regions of [...]²,

– having regard to Rule 59 of its Rules of Procedure,

– having regard to the opinion of the Committee on Industry, Research and Energy,

– having regard to the report of the Committee on the Environment, Public Health and Food Safety (A9-0000/2022),

1. Adopts its position at first reading hereinafter set out;

2. Calls on the Commission to refer the matter to Parliament again if it replaces, substantially amends or intends to substantially amend its proposal;

3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

¹ [OJ C 0, 0.0.0000, p. 0. / Not yet published in the Official Journal].
² [OJ C 0, 0.0.0000, p. 0. / Not yet published in the Official Journal].
Amendment 1
Proposal for a decision
Recital 1 a (new)

Text proposed by the Commission

(1a) The urgency of the need to keep the Paris Agreement goal of 1.5 °C alive has become more significant following the findings of the Intergovernmental Panel on Climate Change (IPCC) in its report of 7 August 2021 entitled ‘Climate Change 2021: The Physical Science Basis’. The IPCC found that global temperature will reach or exceed the 1.5 °C mark earlier than previously anticipated, namely within the next 20 years. It also found that unless there are immediate and ambitious reductions in greenhouse gas emissions, it will no longer be possible to limit global warming to close to 1.5 °C or even 2 °C.

Or. en

Amendment 2
Proposal for a decision
Recital 1 b (new)

Text proposed by the Commission

(1b) The need for urgent action is further intensified by the increase in the frequency and intensity of extreme weather conditions as a direct result of climate change. According to the United Nations Office for Disaster Risk Reduction, the number of disasters recorded worldwide and the scale of global economic losses have nearly doubled in the last 20 years, much of which increase corresponds to the significant rise in the number of climate-related disasters.
Amendment 3
Proposal for a decision
Recital 1 c (new)

_text proposed by the Commission_

**(1c)** The Union should therefore address this urgency by stepping up its efforts and establishing itself as an international leader in the fight against the global climate change phenomenon.

Or. en

Amendment 4
Proposal for a decision
Recital 2

_text proposed by the Commission_

**(2)** Tackling climate and environmental-related challenges and reaching the objectives of the Paris Agreement are therefore at the core of the Communication on “The European Green Deal”, adopted by the Commission on 11 December 2019^4^.

---


Or. en

Amendment 5
Proposal for a decision
Recital 4 a (new)

_text proposed by the Commission_

**(4a)** The COVID-19 pandemic has brought to light the inherent connection between, on the one hand, the health of our environment and biodiversity, and, on
the other, the health of human beings. It has accentuated the need to mitigate climate change in order to sustain and improve the health of our biodiversity, therefore in turn protecting human health. European citizens have also expressed strong views on the need to tackle climate change as a priority to improve public health.

Amendment 6
Proposal for a decision
Recital 8

Text proposed by the Commission

(8) In order to address the structural imbalance between supply and demand of allowances in the market, Decision (EU) 2015/1814 of the European Parliament and of the Council\(^9\) established a market stability reserve (the ‘reserve’) in 2018, which has been operational since 2019.

Amendment

(8) In order to address the structural imbalance between supply and demand of allowances in the market, which threatened to weaken the EU ETS through lower carbon prices leading to fewer incentives for emission reductions, Decision (EU) 2015/1814 of the European Parliament and of the Council\(^9\) established a market stability reserve (the ‘reserve’) in 2018, which has been operational since 2019.


Amendment 7
Proposal for a decision
Recital 11 a (new)
(11a) Such an adjustment was necessary in order to ensure that the EU ETS remains fit for purpose and resilient in the face of external factors which may represent obstacles on the path which the Union has forged in its fight against climate change.

 Amendment 8
 Proposal for a decision
 Recital 15

(15) If the rate of the total number of allowances in circulation to be placed in the reserve each year reverts to 12 % after 2023, a potentially harmful surplus of allowances in the EU ETS may disturb market stability. In addition, the rate of 24 % after 2023 should be established separately from the general review of Directive 2003/87/EC and Decision (EU) 2015/1814 to strengthen the EU Emissions Trading System in line with the Union’s increased climate ambition for 2030 to ensure market predictability.

 Amendment 9
 Proposal for a decision
 Recital 15 a (new)

(15a) The rate of 24 % after 2023 should be established separately from the general review of Directive 2003/87/EC and Decision (EU) 2015/1814 to strengthen the EU ETS in line with the Union’s increased climate ambition for 2030 to...
ensure that there is market predictability.

Or. en

Amendment 10
Proposal for a decision
Recital 15 b (new)

Text proposed by the Commission

Amendment

(15b) Since the objective of this Decision, namely the continuation of the current parameters of the market stability reserve as established pursuant to Directive (EU) 2018/410, cannot be sufficiently achieved by the Member States but can rather, by reason of its scale and effects, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality as set out in that Article, this Decision does not go beyond what is necessary in order to achieve that objective.

Or. en
EXPLANATORY STATEMENT

Climate change is a global emergency, which is affecting countries across continents through economic disruptions, extreme weather conditions and rises in sea levels. According to the recent IPCC Report\(^1\) issued in August 2021, we are currently witnessing changes in our climate that are unprecedented in thousands, if not hundreds of thousands of years. Climate change is already impacting the lives of millions of people around the world and threatening each and every one of us.

Global efforts are needed if we are to mitigate the devastating effects of this phenomenon. Attempting to limit effects through ambitious reductions in greenhouse gas emissions while at the same time ensuring a just transition and maintaining our economies competitive is the biggest political project of our time. This can only be a success story if backed up by an international effort.

The European Union is a global leader in the fight against climate change. It has stepped up its efforts and has equipped itself with the necessary tools that reflect the ambition needed to be able to meet the global challenges presented. Through the adoption of the European Green Deal communication, the EU has forged its path towards a green transition which is based on a resource-efficient and competitive economy, which ensures that no one is left behind. A clear global signal has been sent with the commitment to make Europe the first climate-neutral continent by 2050.

The transformation being set forth through the European Green Deal is also intrinsically interlinked with the recovery from the COVID-19 pandemic. The pandemic has forced the world to rethink its priorities and has made it ever more clear that human health and the health of our environment and biodiversity are inherently connected and co-dependent. It has led to a renewed commitment to the preservation of our environment and the need to build back our economies in a way which stirs the course of our future towards a different, more sustainable, path for the benefit of our planet, and in turn, our health. This renewed commitment has come to life and manifested itself through NextGenerationEU, - one of the financial instruments that will see the European Green Deal implemented.

Through the adoption of the EU Climate law, Europe continued to demonstrate its willingness to go from words to action by securing a legally binding commitment to make Europe a climate neutral continent by 2050. At the same time, emissions must be reduced by at least 55% by 2030 when compared to 1990 levels. This increased climate ambition must now be implemented in practice and the EU must now revisit its policies and existing mechanisms to reflect these new targets. It needs to ensure that all economic sectors contribute to this ambition and therefore one of the key priorities is to strengthen the environmental contribution of its Emissions Trading System. This is in fact one of the key revisions which is being fleshed out in the Fit for 55 package which revisits the EU 2030 climate and energy framework to bring it in line with the new climate targets set out in the Climate law.

\(^1\) AR6 Climate Change 2021: The Physical Science Basis. Working Group I Contribution to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC), August 2021
In an attempt to avoid the weakening of the ETS system in view of a surplus of emission allowances that had been accruing since 2009, the European Commission had established a Market Stability Reserve in 2018 as a long-term solution which has been operational since 2019. After establishing this reserve in 2018, the Commission also adjusted the rules for placing allowances in the reserve and releasing them from it temporarily until 2023 through Directive (EU) 2018/410 of the European Parliament and of the Council. It doubled the percentage from the total number of allowances in circulation (the intake rate) which is reserved from 12% to 24%, and the minimum amount to be placed in the reserve from 100 to 200 million allowances.

Both the introduction of the reserve and the subsequent adjustment in its operational rules were important steps towards maintaining an emissions trading system which is fit for purpose and which adapts to the dynamic needs of the economic sectors covered by the ETS, such as the impact of the COVID-19 pandemic on these sectors. Their ultimate aim was to address the surplus of allowances and to improve the resilience of the ETS to major shocks. These targets are even more relevant today given the need to match the increased climate ambition and to avoid a situation where the ETS is weakened through lower carbon prices leading to fewer incentives for emission reductions.

The Commission proposal which we have in front of us seeks to maintain the temporary adjustments to the reserve which were adopted through Directive 2018/410 until the end of Phase IV of the EU ETS on 31 December 2030. The need for the extension of this temporary adjustment is clear. Failure to move forward with this extension in a timely manner can lead to a harmful increase in the surplus of emission allowances and will run counter to the increased ambition presented in the Green deal and legislated upon in the Climate law.

Europe must look forward in its climate path by strengthening the tools it has in place and rendering them more resilient to external factors. This is not the time to weaken the EU ETS by taking any steps back in our climate ambition. The extension of the temporary adjustments being put forward through this Commission proposal are therefore necessary and urgent and fully in line with Europe’s global role in the fight against climate change.