OPINION

of the Committee on Industry, Research and Energy

for the Committee on the Environment, Public Health and Food Safety

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 – C9-0325/21 – 2021/0202(COD))

Rapporteur for opinion: Claudia Gamon
SHORT JUSTIFICATION

Climate change is the biggest and most important global challenge for our and for further generations. Real reforms are necessary to tackle climate change by designing our society more sustainable, long-lasting and climate friendly. The economy and the environment must be considered in conjunction with one another and as keys to reach climate neutrality.

The European Climate Law, as a central element of the European Green Deal, sets the binding target of reducing the EU’s GHG emissions by 55% by 2030 and eventually of becoming the first climate neutral continent by 2050.

The EU Emission Trading scheme (ETS) has proven to be an effective tool for the EU to reduce its Greenhouse Gas Emissions by drawing a clear path towards reaching the EU’s climate targets. To ensure that the ETS remains an effective, strong and shock resistant tool, in 2018 the European Union established, further to the Decision 2015/1814, the Market Stability Reserve (MSR), which became operational as of 2019. This Decision formulates clear rules to address a surplus of allowances by triggering a mechanism to put allowances in the reserve and releasing them if needed. To avoid a weakening of the ETS due to low carbon prices, the volume of the allowances to be placed in the MSR was doubled when the ETS was revised by the European Parliament and the Council via Directive 2018/410: the minimum intake amount was raised from 100 to 200 million allowances and the percentage of the total number of allowances in circulation from 12 to 24%. These measures would remain in place until 2023.

In their impact assessment in the context of the review of the MSR decision, the Commission concluded, that, in order to avoid a surplus of allowances and a weakening of the ETS, the continuation of the current measures until 2030 is the most favourable solution (intake rate of 24% and the minimum amount of allowances to be placed into the reserve of 200 million allowances). Furthermore it should be noted that, if these measures will not be adopted in a timely manner, it might result in a risk of a harmful increase of the surplus of allowances.

For these reasons, the rapporteur proposes to maintain the measures as proposed to enable the swift implementation and ensure a smooth functioning of the MSR.

AMENDMENTS

The Committee on Industry, Research and Energy calls on the Committee on the Environment, Public Health and Food Safety, as the committee responsible, to take into account the following amendments:

Amendment 1

Proposal for a decision

Recital 1

<table>
<thead>
<tr>
<th>Text proposed by the Commission</th>
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<tr>
<td>(1) The Paris Agreement, adopted in</td>
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AD\1251272EN.docx 3/12 PE703.111v03-00
December 2015 under the United Nations Framework Convention on Climate Change (UNFCCC) entered into force in November 2016 ("the Paris Agreement")\(^{25}\). The Parties to the Paris Agreement have agreed to hold the increase in the global average temperature 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.

In its Special Reports published between 2018 and 2021, the Intergovernmental Panel on Climate Change (IPCC) illustrated the need to urgently reduce greenhouse gas (GHG) emissions in all sectors of the economy in order to limit global warming to 1.5°C and not to risk reaching or exceeding this threshold. Without immediate and ambitious greenhouse gas emissions, it will no longer be possible to limit global warming in line with the goals set by the Paris Agreement. By adopting the Glasgow Climate Pact, the Parties to the Paris Agreement recognised that limiting the increase in the global average temperature to 1.5°C above pre-industrial levels would significantly reduce the risks and impacts of climate change, and committed to strengthen their 2030 targets to close the ambition gap. The revision of the EU ETS, including of its Market Stability Reserve, is a unique opportunity to contribute to stepping up the Union’s climate action before COP27 in Egypt.

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 b (new)

Text proposed by the Commission

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

Amendment 4
Proposal for a decision
Recital 3

Text proposed by the Commission

(3) The European Green Deal combines a comprehensive set of mutually reinforcing measures and initiatives aimed at achieving climate neutrality in the EU by 2050, and sets out a new growth strategy that aims to transform the Union into a fair and prosperous society, with a modern, resource-efficient and competitive economy, where economic growth is decoupled from resource use. It also aims to protect, conserve and enhance the Union's natural capital, and protect the health and well-being of citizens from environment-related risks and impacts. At the same time, this transition affects women and men differently and has a particular impact on some disadvantaged groups, such as older people, persons with disabilities and persons with a minority background. At the same time, this transition affects workers from various sectors and women and men differently, and has a particular impact on some disadvantaged groups, such as older people, persons with
racial or ethnic background. It must therefore be ensured that the transition is just and inclusive, leaving no one behind. disabilities and persons with a minority racial or ethnic background. It must therefore be ensured that the transition is just and inclusive, leaving no one behind.

Amendment 5

Proposal for a decision
Recital 3 a (new)

*Text proposed by the Commission*

Amendment

(3a) Research and innovation will greatly contribute to achieving the ambitious goals of the ‘European Green Deal’, to make Europe the world's first climate-neutral economic area by 2050 and to transform climate and environmental challenges into opportunities. There is an urgent need for investment in innovation aiming to bring to market industrial solutions and zero-carbon technologies to decarbonise Europe and support its transition to climate neutrality. In particular, the Innovation Fund should focus on highly innovative technologies and supporting businesses, in particular SMEs, to create local, decent and future-proof jobs, and reinforce European technological leadership on a global scale.

Amendment 6

Proposal for a decision
Recital 8

*Text proposed by the Commission*

Amendment

(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 established a market stability reserve (the ‘reserve’) in 2018, which has been operational since 2019. (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 long-term investment aimed at reducing emissions, Decision...

Amendment 7
Proposal for a decision
Recital 8 a (new)

Text proposed by the Commission

Amendment

(8a) To effectively align emissions trading with the 2030 climate targets, strengthen the resilience of the EU ETS in respect of price shocks, and increase planning certainty for the development of and investment in decarbonisation technologies, ad hoc interventions in the market stability reserve should be carefully scrutinized and where possible avoided.

Amendment 8
Proposal for a decision
Recital 11 a (new)

Text proposed by the Commission

Amendment

(11a) Adjustment of the percentage rate to be used for determining the number of allowances to be placed each year in the reserve was necessary in order to ensure that the EU ETS would remain fit for purpose and resilient in the face of
external factors which might represent obstacles on the path which the Union has forged in its fight against climate change.

Amendment 9
Proposal for a decision
Recital 12 a (new)

Text proposed by the Commission

Amendment

(12a) Any review and adjustment of the market stability reserve should aim to minimize regulatory complexity and market speculation, while ensuring a maximum degree of market predictability and that the EU ETS is fit for purpose in line with the Union’s increased climate ambition for 2030.

Amendment 10
Proposal for a decision
Recital 15

Text proposed by the Commission

Amendment

(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.

This is without prejudice to any revisions of the reserve, including, if appropriate, of the rate of allowances to be placed in the reserve.
Amendment 11

Proposal for a decision
Recital 15 a (new)

Text proposed by the Commission

(15a) The Commission should continuously monitor the functioning of the reserve. Where the Commission finds that the total number of allowances in circulation has increased compared to the last three years and where appropriate, it should make a legislative proposal to amend this Regulation to ensure the proper functioning of the reserve in rapidly and steadily correcting the structural imbalance between the supply and demand of allowances in the market.

Amendment 12

Proposal for a decision
Recital 15 b (new)

Text proposed by the Commission

(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 can 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.
### PROCEDURE – COMMITTEE ASKED FOR OPINION

<table>
<thead>
<tr>
<th>Title</th>
<th>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</th>
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<tr>
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<td>Claudia Gamon</td>
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<td>Date appointed</td>
<td>7.10.2021</td>
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<td>26.1.2022</td>
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| Result of final vote | +: 52  
--: 13  
0: 5 |
| Substitutes present for the final vote | Jakop G. Dalunde, Francesca Donato, Adriana Maldonado López |
### FINAL VOTE BY ROLL CALL IN COMMITTEE ASKED FOR OPINION

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**Key to symbols:**
- **+**: in favour
- **-**: against
- **0**: abstention