(English version)

Question for written answer E-001860/24
to the Commission
Tomáš Zdechovský (PPE)
(27 September 2024)

Subject: Price scale for emission allowances as a tool for European competitiveness on the global market

The EU Emissions Trading System (ETS) requires polluters to pay for their greenhouse gas emissions. The price of emission allowances is a key parameter of the entire system. If it is too low, the polluter can buy the necessary allowances cheaply, and the principle of paying an appropriate price for pollution caused remains unfulfilled ([1]). The issue nowadays is, firstly, that European industries and power plants pay twice as much per tonne of emissions as businesses in California and ten times as much as emitters in China, which makes them uncompetitive ([2]). Secondly, the price of the permit cannot be estimated in advance. ([3])

1. How will the Commission help to set a reasonable scale of minimum and maximum prices for these allowances to help support the European economy's competitiveness on the global market?

2. In what other ways will the Commission help European businesses so that efforts to reduce emissions will not lead to them being forced to shut down?

3. Is the Commission devoted to delivering a transparent and predictable overview of future price developments for emission allowances?

Submitted: 27.9.2024

Answer given by Mr Hoekstra on behalf of the European Commission
(12 November 2024)

1. The carbon price in the EU's Emissions Trading System (ETS) is not regulated by the Commission but determined by the market. However, the Market Stability Reserve (MSR) provides stability by balancing supply and demand in accordance with pre-determined rules. If the market is over-supplied, some allowances are withheld from circulation. If there are too few allowances, the MSR injects allowances back into the market. The ETS Directive ([1]) also contains a mechanism to address excessive price fluctuations.

2. Installations in sectors at risk of carbon leakage benefit from free allocation of allowances. In some sectors that will gradually be replaced by the Carbon Border Adjustment Mechanism (CBAM) from 2026, which will put a price on imports similar to the EU ETS price.

Businesses can also benefit from the use of EU ETS revenues. The Innovation Fund, Modernisation Fund and the future Social Climate Fund are expected to provide at least EUR 160 billion to support projects and measures in all Member States. In addition, Member States are able to spend their EU ETS auction revenues to support firms' decarbonisation, including in the form of aid to electro-intensive industries for indirect carbon costs in their electricity consumption.

3. Insights on expected price developments are provided by several independent carbon market analysts. The Commission itself does not provide such commentary as this would impact price and interfere with price formation in the market. However, the Commission reports regularly on the European carbon market as foreseen in EU legislation. This includes publishing the Total Number of Allowances in Circulation (TNAC) every year, which determines the amount of allowances to be added to or withdrawn from the MSR.

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1 [1]https://faktaoklimatu.cz/explainery/emisni-povolenky-ets
2 [2]https://ekonomickydenik.cz/knotek-ceny-emisnich-povolenek-by-se-mely-zastropovat/
3 [3]https://www.statista.com/statistics/1322214/carbon-prices-european-union-emission-trading-scheme/
([1]) https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02003L0087-20240301