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Press release | 24.09.2014

# Emissions trading

## MEPs rubberstamp extension of windfall profits and loopholes for heavy industry

The European Parliament's environment committee today voted to endorse proposals from the European Commission to extend a loophole under which certain heavy industry sectors under the EU's emissions trading scheme are gifted their emissions permits for free (1). The Greens had proposed rejecting the extension, as the Commission's justification for extending it was based on false claims. After the vote, Green climate change spokesperson **Bas Eickhout** said:

*"MEPs have today missed an opportunity to redress one of the various flaws that are undermining the functioning of the EU's emissions trading scheme. The free allocation of permits to these industry sectors has not only proved to be unjustified, it has led to perverse windfall profits for various firms and has transferred public revenues to some of the biggest polluters on the basis of unsound analysis.*

*"The Commission's own research has indicated that there is no real risk of these sectors relocating, which is the ostensible reason for allocating them emissions permits for free. However, the Commission disregarded its own analysis, notably as regards the expected carbon price. The result will lead to further windfall profits for these polluting firms of more than €5 billion (2). This will sadly continue to undermine the EU carbon market and stymie its goal of stimulating investment in green technologies and innovation. Basing regulation knowingly on false assumptions is a worrying precedent and damages the reputation of EU climate action."*

(1) Under the emissions trading scheme, the EU Commission was tasked with drawing up a list of industry sectors supposedly at risk of carbon leakage (whereby businesses and production would relocate outside of the EU to regions without climate measures, with the result of increasing global emissions). Firms in sectors on this list, which includes the steel and cement industries, would be allocated emissions permits for free, in contrast to the intention to move to full auctioning of allowances in 2027. The Commission proposed extending this carbon leakage list to 2019, and MEPs today failed to reject this proposal.

(2) The Commission has assumed a carbon price of €30 per tonne from 2015 on, despite the fact that the price is currently a mere €6 per tonne and not projected to reach more than €10 even if all planed EU climate policy measures are agreed (e.g. the 'market stability reserve' and draft 2030 greenhouse gas reduction targets). The Commission impact assessment recommended using a carbon price of €16.5, which it assessed would lead to revenues of €5 billion for national exchequers.

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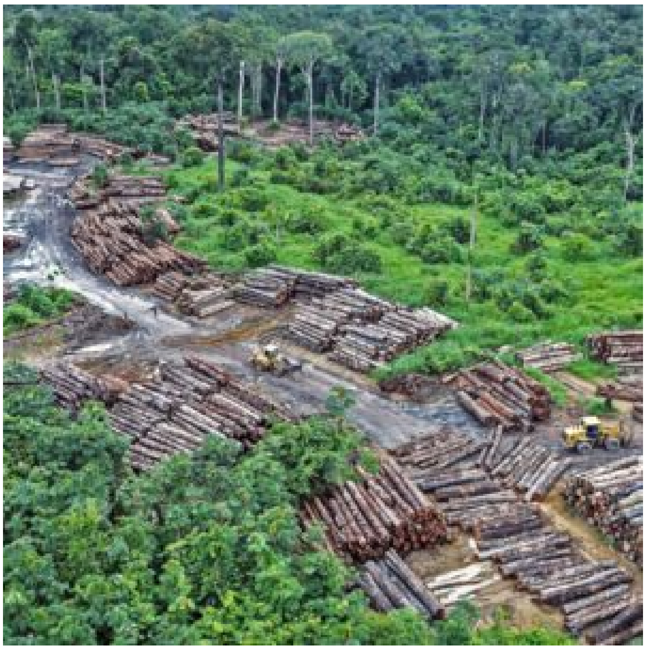

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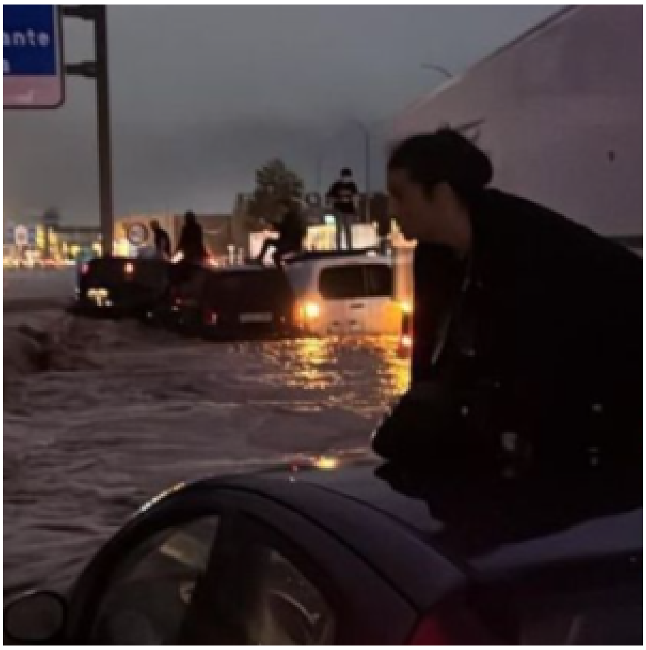

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**Responsible MEPs**

Bas Eickhout

Co-President

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