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Press release | 18.04.2023

EP approves biggest reform to reduce CO2 emissions in Europe

ETS/Social Climate Fund

Today, a majority of the Members of the European Parliament gave their final approval on the results of the trilogues on the European Emissions Trading System (ETS) and Social Climate Find (SCF). The reform of the ETS will incentivise the energy and industrial sectors to fully decarbonize. Although the Greens/EFA Group pushed for a more ambitious phase out of free CO2 certificates, the annual number of CO2 certificates to be distributed will reduce gradually to zero by 2040, which is projected to lead to a coal phase-out before 2030. A new separate Emissions Trading System (ETS II) will be created to give a stronger carbon price to fuels used in transport and heating. Part of the revenues from the ETS II will be used to finance a new Social Climate Fund, which will help households to move away from fossil fuels in the way they move and heat their homes as of 2026. The Greens/EFA welcome the strong signal given to the energy and industrial sectors to fully decarbonise, but warn about the urgent need for Member States to step up measures at national level to accompany EU citizens in this transition. It is now up to the Member States to ensure that the Social Climate Fund will be socially just.

Michael Bloss, Greens/EFA shadow rapporteur on the ETS in the lead Environment Committee, comments:

"This is a green win and a leap forward for climate policies. No more CO2 permits from 2040 - with the Emissions Trading System, the EU seals the deal on coal exit. This is the biggest lever to reduce CO_2 *emissions in Europe. We, the Greens/EFA group, were central in securing the polluter-pays principle for the EU. The free-for-all emissions party has finally come to an end. This gives industries the right incentive to do the necessary modernisation.*

"Member States will receive about 700 billion euros to invest in the transition. The EU needs to invest now, or we will lag behind the rest of the world. But this market is socially imbalanced. We cannot take money from people and offer them little in return. We need a European climate dividend to ensure the Green Deal is fair for all."

Sara Matthieu, Greens/EFA shadow rapporteur for the Social Climate Fund, comments:

“The EU has finally created a much-needed fund to directly support people in energy and mobility poverty. While this is an important achievement, it does not suffice as a social pillar for the Green Deal. Nearly 21.9% of the total EU population is at risk of poverty, meaning that nearly 100 million people require fundamental investments in home insulation and good public transport, and they cannot be left to shoulder this burden alone. At the negotiation table, Member States slashed their contributions to the Social Climate Fund and thereby greatly reduced the pot’s size. The majority of the ETS revenue will go directly to Member State governments, and it is up to them to utilize it for essential social spending. At EU-level, the Social Climate Fund must act as a stepping stone towards a much more ambitious and social Green Deal.”

Background

As the number of CO2 certificates is reduced, industries that modernise and transform will get more support through the increased Innovation Fund and Modernisation Fund. As part of the ETS deal, emissions from the EU industrial and energy sectors will be reduced by 62% by 2030 compared to 2005. Almost 50% of the free CO2 allocations will be deleted by 2030 and completely from 2034 onwards. While they are currently exempt from paying a price on most of their emissions, heavy EU industries like cement, steel and iron, will have to pay for about half of their emissions by 2030 and 100% by 2034. Maritime transport will also start paying for its emissions as of 2024. By 2026, 100% of greenhouse gas emissions from intra-EU maritime transport (including ships at berth) would be covered under the EU ETS, and 50% of GHG emissions from voyages between EU ports and non-EU ports.

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