



# Linking Emissions Trading Systems: Paving the way toward a low-carbon future

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# Context of carbon pricing post-Paris

- *Paris Agreement created momentum*
  - **81 parties planning or considering using carbon pricing to achieve Nationally Determined Commitments**
  - **Since 2015, 12 new carbon pricing initiatives**
- *EU ETS as backbone of EU climate policy*
  - **Applicable across 31 countries + half of emissions**
  - **Environmental guarantee, economic efficiency**
  - **Broad experience from >12 years of operation**
  - **Expansion over time, including introduction of Market Stability Reserve**

# State of EU ETS in European Parliament and Council

## - Parliament:

- Voted to double ETS Market Stability Reserve rate
- Additional free allocation possibilities
- Larger Innovation Fund and more focussed funding
- Cancellation of part of surplus allowances



- EU Member States reached general approach at the Environment Council on 28 February:
  - Doubling Market Stability Reserve feed-in rate
  - Additional free allocation possibilities
  - Limiting validity of allowances in Market Stability Reserve

- Following agreement of 18 October on aviation/ETS up to 2023, preliminary agreement reached in trilogue between EP and Council on 9 November



# Benefits of linkages

## *Demonstrates political will*

- **Strong signal on cooperation and common direction**
- **Leadership in fight against climate change**
- **Sharing from 'learning by doing' experience**

## *Economic benefits*

- **Increased efficiency**  
Lower abatement costs, higher ambition
- **More liquid markets**
- **Reduces 'carbon leakage' risks**  
Level playing field in terms of carbon constraints
- **Cost sharing and exchange of information**  
e.g. administration of auctions, registries



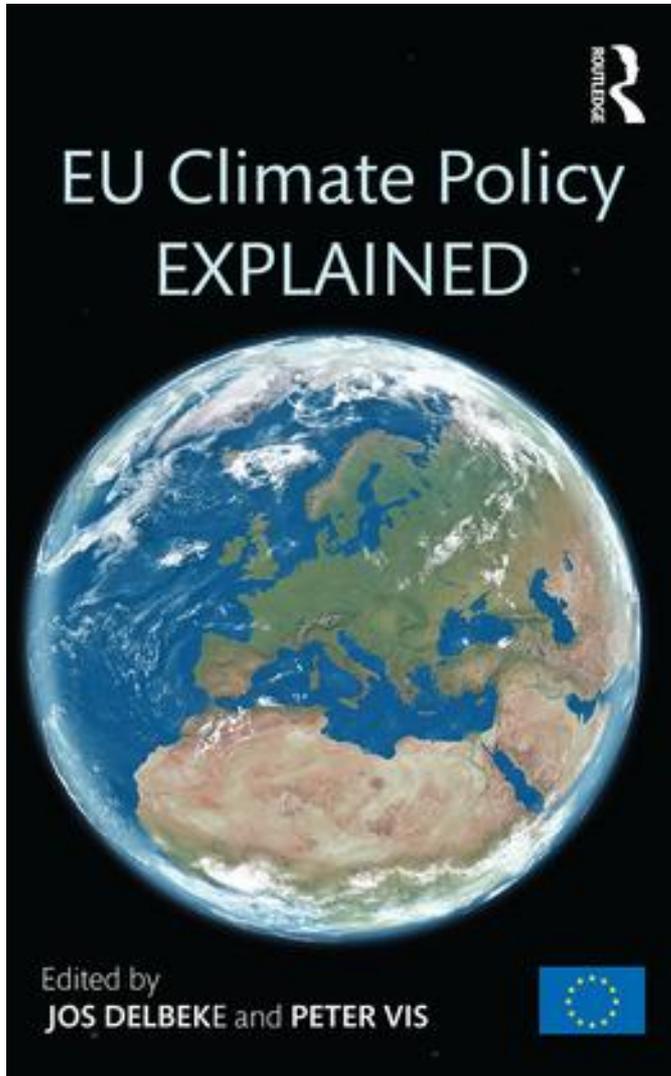
PARIS2015  
UN CLIMATE CHANGE CONFERENCE  
COP21·CMP11



## EU ETS link with Switzerland's ETS

- *Negotiations on linking Switzerland with EU ETS from 2010 onwards, and agreed in margins of COP21*
- *Swiss system mirrors EU ETS scope*
- ***Mutual recognition*** of allowances
- *For compatibility, "essential criteria" met*
- *In March 2017, suspended procedure resumed*
  - **Nov 2017 – signing of linking agreement**
  - **Equal treatment for aviation ensured by responsibility for one direction each**
  - **Swiss collecting data for free allocation**
- ***January 2020: expected entry into force - Joint Committee responsible for administration***





- Deep experience of ETS operation in the EU, including extending ETS from 15 to 31 countries
- Strong will to share experience and learn
- Linking of real ETSs achieved bottom-up



Book on EU's experience available free at <https://ec.europa.eu/clima/publications> (in EN, FR, ES, Chinese and Korean)