

EU lawmakers face close vote on pollution credit freeze

April 16 2013



Smoke can be seen rising from stacks at a factory in Lille, France on January 17, 2013. Controversial plans to revive the EU's faltering carbon cap-and-trade system so as to cut greenhouse gas emissions face a tough test in the European Parliament on Tuesday.

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EU officials say they expect a "very close" vote after the European People's Party, the largest group in the parliament, said it would oppose a bid to make investment in [clean technology](#) financially more attractive by freezing some EU pollution credits.

At stake is the EU's [Emissions Trading](#) System (ETS) for [carbon dioxide](#), the greenhouse gas widely blamed for [global warming](#) which the ETS was supposed to help reduce by some 21 percent between 2005 and 2020.

Under the ETS, operational in all 27 EU member states, an amount of pollution credits is first allocated free of charge to companies to cover their [CO2 emissions](#).

If their emissions exceed this level, companies can either buy more credits through the ETS or choose to invest in new technology to reduce their pollution and save money in the longer-term.

In recent years, and in part reflecting the [economic downturn](#), ETS credit prices have been very low, meaning companies see little incentive to invest in new, less polluting technology—the ultimate aim.

As a result, Brussels last year announced plans to freeze the sale of about 900 million tonnes of pollution credits in 2013-2015 in an effort to boost prices and so make companies look again at the relative costs involved.



Smoke rises from factory stacks in Santes, France on January 22, 2013. EU officials say they expect a "very close" vote after the European People's Party said it would oppose a bid to make investment in clean technology financially more attractive by freezing some EU pollution credits.

Last week, the environment ministers of Britain, Denmark, France, Germany, Italy and Sweden wrote in a letter to MEPs that "eight years of efforts" to control CO₂ emissions would be put at risk if parliament voted 'No.'

"We need an effective signal on prices if we do not want to imperil our long-term objectives," the letter said.

The conservative EPP group, however, has said it will do just that because it opposes any market intervention which could lead to higher overall costs.

Let the market function and find its own level, it says, warning that high prices for pollution credits may only help push companies look outside the EU.

"We are determined to reject this plan and this vote is important," said Eija Ritta Korhola of the EPP.

In February, parliament's environment committee approved the freeze by 38 votes to 25, saying it was needed to put the ETS back on track.

"The environment committee has sent a clear signal in favour of a strong and healthy emissions trading system. A stronger carbon price will help catalyse Europe's transition towards a low-carbon economy," committee chairman Matthias Groote said in a statement at the time.

"Creating the EU ETS was a landmark achievement but there is also a learning process. Delaying auctions is only a temporary fix but it is a positive step," Groote added.

Current prices for ETS pollution credits are below five euros, well short of the 24-30 euros which analysts believe are needed to make the system work as it was intended.

The EU had planned to sell credits on some 8,500 million tonnes of carbon emissions in the period 2013-2019 and some officials had suggested that the freeze needed to be for 1,400 million tonnes to be effective.

MEPs will also vote Tuesday on what will happen to the frozen credits—supposed to be added back to the market in 2018-2019—and a move to exclude international airlines from the ETS requirements on a temporary basis after their inclusion sparked uproar from around the world.

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