

EU parliament backs reform of carbon market

July 9 2015



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Under reforms due to take effect in 2019, the Emissions Trading System (ETS) will set aside a portion of carbon credits if the surplus of [emission allowances](#) on the market exceeds a certain threshold.

The reserve will then be put back onto the market if prices recover.

The Market Stability Reserve (MSR) "is a crucial building block to help ensure that CO₂ ([carbon dioxide](#)) prices spur innovation in the field of energy efficiency," said Ivo Belet, a Belgian Euro-MP who helped steer the text through the assembly.

"This reform puts Europe on the right track to achieve its ambition of 40 percent less CO₂ emissions by 2030" compared to 1990 levels, he said in a press release.

Launched in 2005, the ETS puts a cap on carbon dioxide emitted by more than 11,000 large factories, power plants and other companies.

The firms can trade in quotas of these emissions—the idea being to provide a carrot to improve [energy efficiency](#) or switch to cleaner sources so that they keep within the ceiling.

But the financial crisis that struck the EU in 2009, coupled with caps that critics said were far too low, caused the market to be awash with surplus carbon allowances.

The price is now only a third of the level deemed to be a valid incentive.

The law was approved by 495 votes to 158, with 49 abstentions, the EU assembly said.

The plan got the green light in May from the EU's executive Commission and member states. The Commission had wanted the

change to be introduced in 2021.

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Citation: EU parliament backs reform of carbon market (2015, July 9) retrieved 13 May 2024 from <https://phys.org/news/2015-07-eu-parliament-reform-carbon.html>

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