Brussels urges quick decision on freeze in pollution credits

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Smog clouds a view of centre and east Thessaloniki, Greece, on January 2, 2013. The EU executive Monday urged a quick decision on a freeze of 900 million tonnes of pollution credits auctioned to firms in 2013-2015 in order to raise the price of carbon and make investment in clean technology worthwhile.

"There are too many permits because of the recession," said Isaac Valero, the spokesman for Europe's climate commissioner Connie Hedegaard.

According to some estimates, there are currently two billion tonnes of carbon emission credits on the market, or around half of the bloc's carbon emissions per year.

The EU's Emissions Trading System (EU ETS) is a so-called cap-and-trade system that seeks to fight climate change by gradually tightening the amount of greenhouse gases that can be emitted by companies.

Companies receive annual carbon emissions targets. They are allotted some carbon emission credits and can purchase allowances that have been auctioned or earned by other companies.

But the price of carbon allowances under the EU ETS has fallen so low that companies do not have a major incentive to invest in reducing their emissions.

Hedegaard late last year proposed to freeze by 900 million tonnes the amount of carbon credits auctioned in 2013-2015, with allowances increased in 2018-2019.

The EU had planned to auction credits worth some 8,500 million tonnes of carbon emissions in 2013-2019.

Some experts had hoped she would propose a freeze of 1,400 million tonnes.

The European parliament is due to vote on the measure in March or April and had backed a cut of 1,400 million tonnes at a time when the price of a tonne of carbon emissions was at around seven euros a tonne.

The current price is below five euros, according to estimates.

Experts believe that the price should be between 24 and 30 euros in order to make investment in clean technologies worthwhile.

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