

February 27th 2013

To the European Commission
Climate Action

Input to the consultation on structural options to strengthen the EU Emission Trading System (ETS)¹

Carbon Trade Watch, a research collective following and analyzing carbon markets for over ten years, wants to bring to your attention that the EU Emissions Trading Scheme (ETS), besides its evident failures, is locking in an economy which increases climate, environmental and social problems.

The option to end the ETS by 2020 and replace with other policies for emission reductions at source must therefore be included in the consultation. Its omission leaves the consultation incomplete as an input toward a legislative proposal.

Carbon prices are incredibly volatile and prone to major crashes. Numerous institutional as well as private actors are now leaving the carbon market, acknowledging the effectual end of a scheme that from its early days has been crippled by profound contradictions and structural failures. 'Scaling up' the failure and financing its export to other countries like Vietnam and Mexico, and into other areas of nature like forests, biodiversity and water, knowing the many dangers that it entails, is reckless. The EU ETS is delaying any real climate action and on the contrary, is allowing business as usual to continue and increase.

Contrary to what the Commission is claiming, the EU ETS has not delivered GHG emission reductions in line with legislated caps. Even conservative sources estimate that between 1/3 and 2/3 of carbon credits bought into the ETS "do not represent real carbon reductions". Moreover, as a scheme flexible for polluters, it has diluted environmental goals, and exacerbated social injustices.

Carbon offsets are a means to allow companies and governments to buy their way out of responsibility by 'compensating' their own emissions with theoretical 'reductions' or 'savings' elsewhere. While a cap in theory would limit the availability of permits, offset projects are a license to print new ones. What is more, the implementation of offset projects largely involves serious conflicts including forced displacements of local populations, destruction of livelihoods and the depletion of clean water, biodiversity and soils.

¹ http://ec.europa.eu/clima/consultations/0017/index_en.htm

It is imperative to achieve a phase-out of fossil fuel use while implementing strong policies for polluters to reduce emissions at source. According to the IEA's 2013 World Energy Outlook, as much as 70% of known fossil fuel reserves must stay where they are if EU's 2°C objective is to be even a remote option. The past seven years have shown that the EU ETS is incapable of helping to bring about this kind of transformation. Calling for an end to the EU ETS is acknowledging that coal must be left in the hole, and oil in the soil.

In this regard, we would refer you to Carbon Trade Watch, [*Carbon Trading: how it works and why it fails*](#) ; [*Green is the colour of money*](#) ; and [*Castles in the Air: The Spanish State, public funds and the EU-ETS*](#) ; and CTW-CEO, [*EU Emissions Trading System: failing at the third attempt*](#) ; [*Caught in the cross-hairs: how industry lobbyists are gunning for EU climate targets*](#) ; and [*Paying the Polluters: EU emissions trading and the new corporate electricity subsidies*](#).

The lack of public disclosure of information on the costs and benefits of each structural option moreover, including the option of ending the ETS, is preventing the European Parliament and the general public from conducting an informed discussion on the best possible choice. This is inexcusable in view of the cost that the public will likely have to bear for the failure of a key EC policy instrument.

As a civil society organization researching and monitoring carbon markets for over ten years, we believe that a different form of regulation is needed in order to drive the necessary structural changes in the European economy, achieve real GHG emissions reduction at source and start a transition away from fossil fuel dependency.

We look forward to your response and welcome the opening of an official, informed consultation on the proposed option of abolition of the EU ETS and on the regulatory measures needed to achieve the deep transformation of the European economy that millions of citizens in Europe and beyond foresee.

Thank you for your consideration,

Regards,

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