

Strategic challenges to the EU ETS in long term

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Competitiveness concerns ... a problem to which there are logically only three types of responses ..

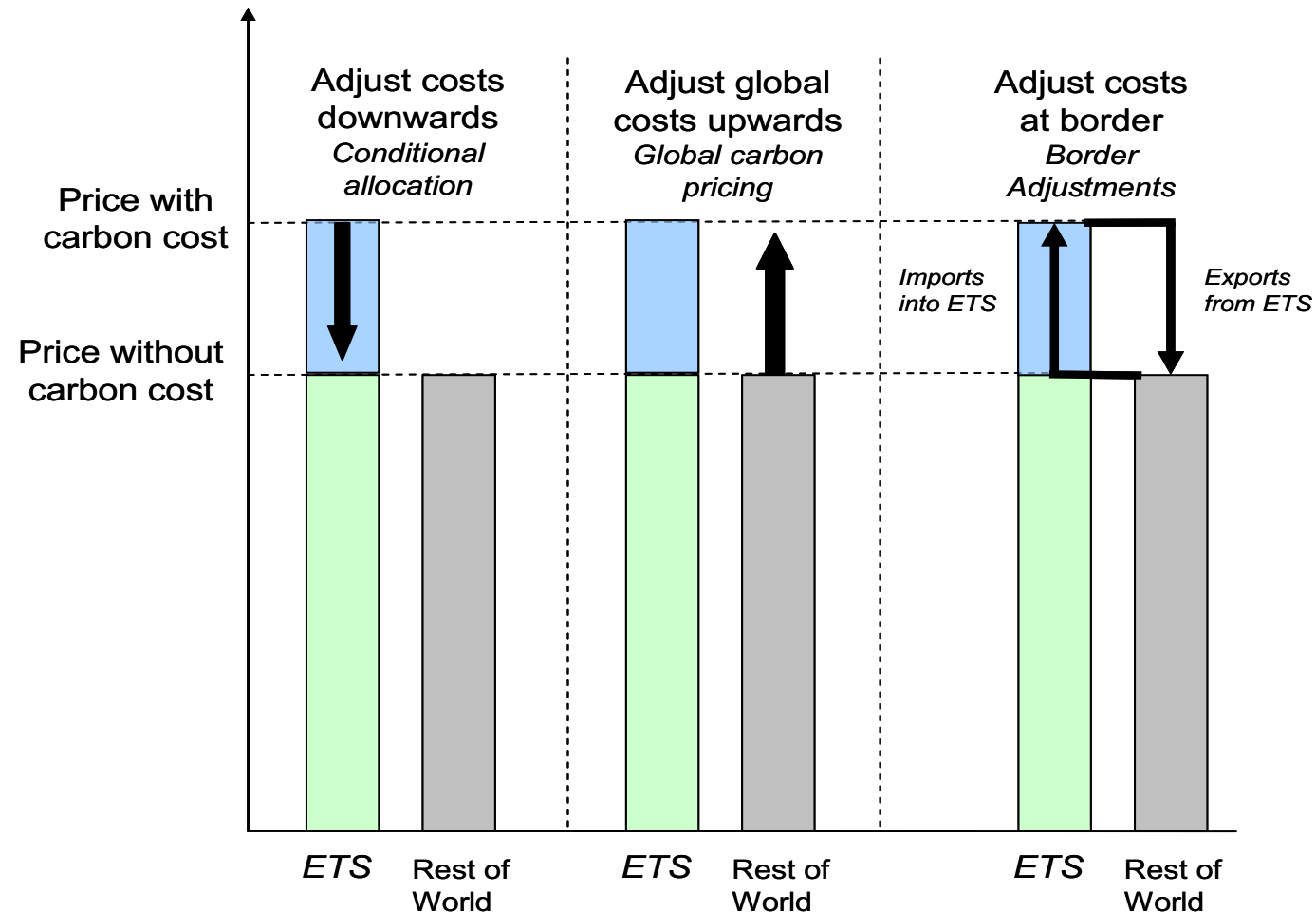


Figure 8-5 Options for tackling leakage

Source: Grubb, Hourcade and Neuhoﬀ, Planetary Economics, Chapter 8

What problems are we trying to solve?

- EU incentives for operation or investment (eg. CCS)?
- EU competitiveness or a common global challenge?
- Domestic level playing field or:
 - Non-discriminatory ‘carbon levelling’ Incentives for others
 - Or pressure on countries ‘taking inadequate action’?
- National / aggregate indicators or product level?
- *What border?*
- *Domestic politics or geopolitical diplomatic strategy?*



Competitiveness concerns ... a problem to which there are logically only three – or four? - types of responses

..

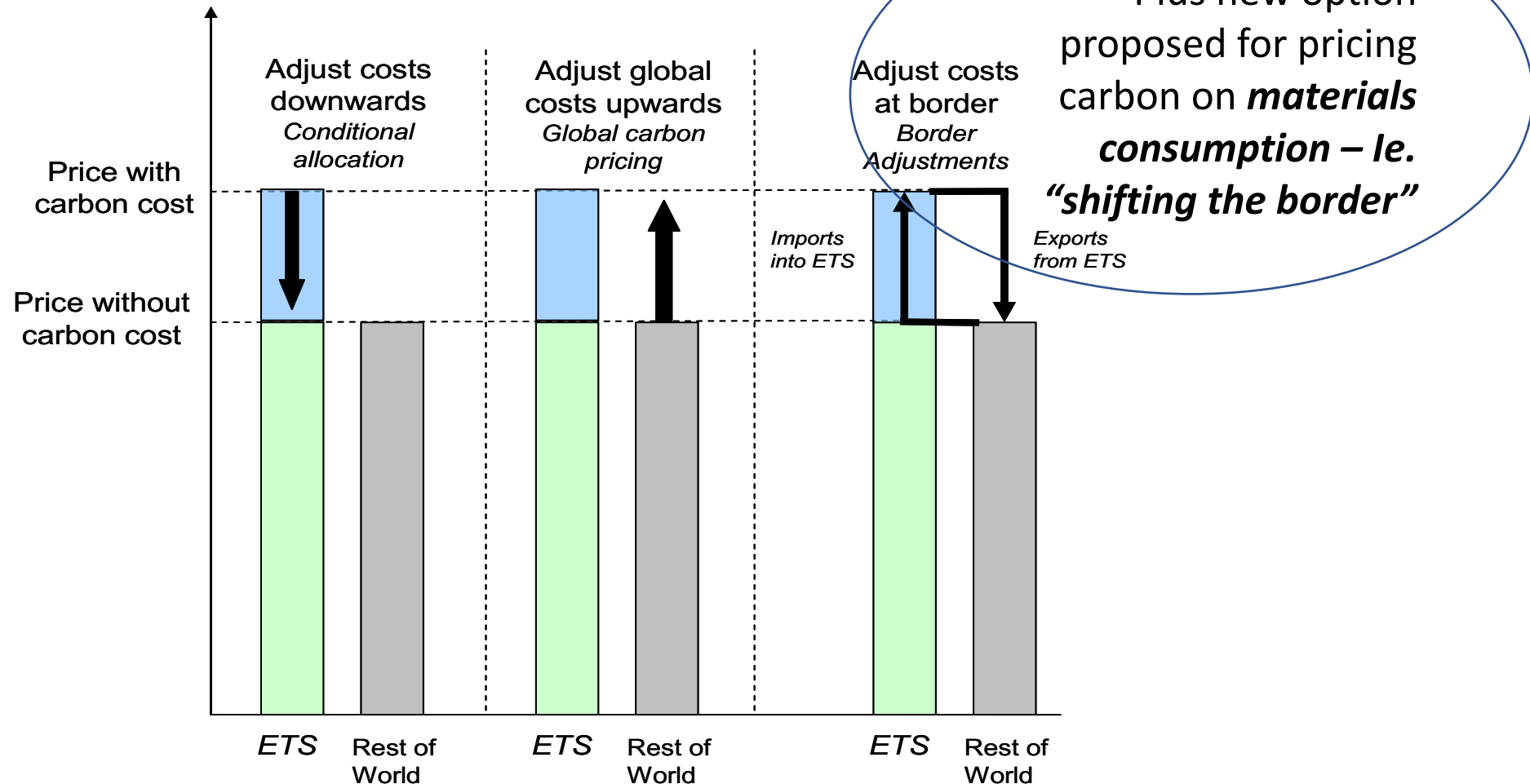


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The first quantified analysis of consumption charge

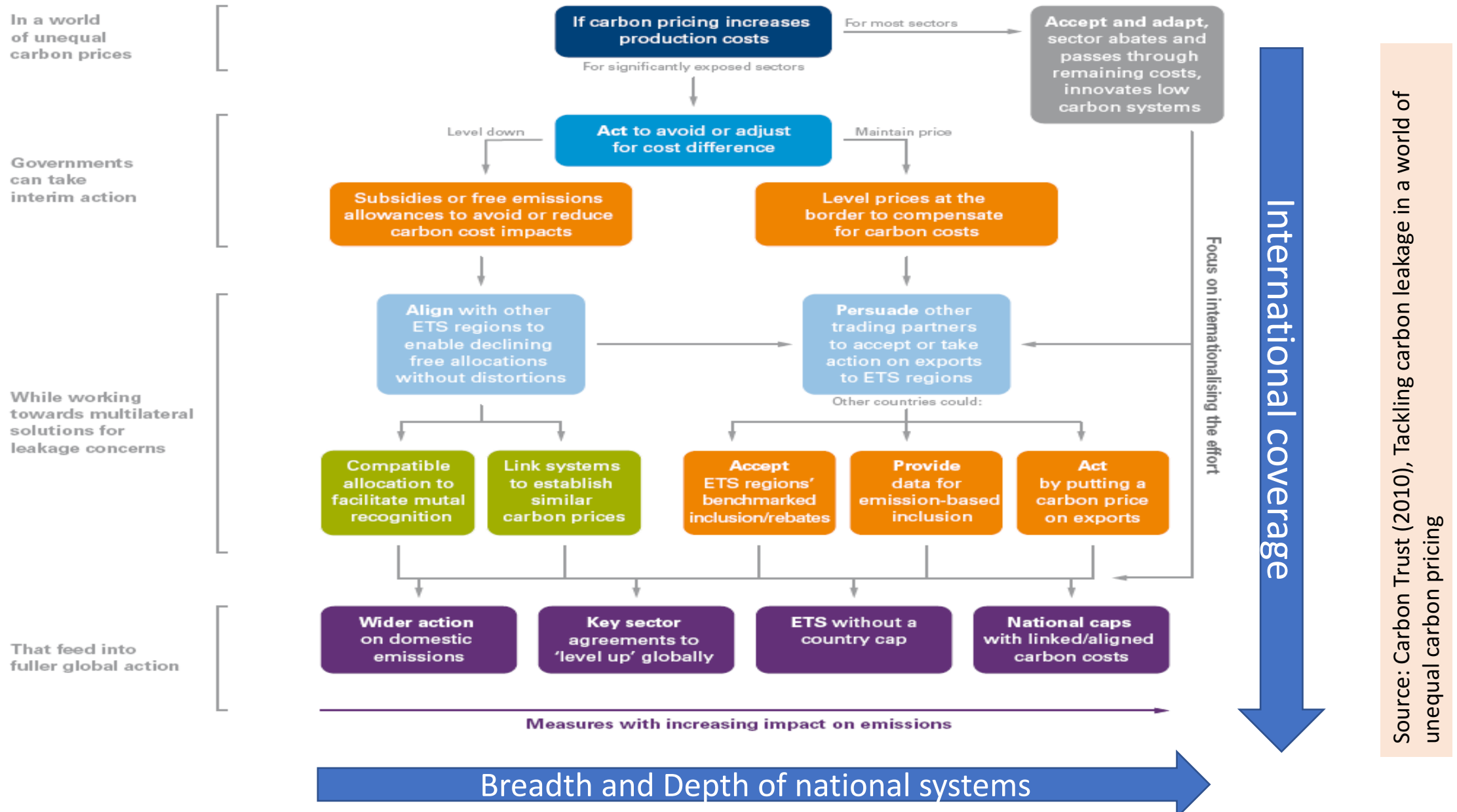
“... Policy must incentivise and support the users of carbon-intensive materials to improve rates of material efficiency, reuse, recycling, substitution with other materials, and to prolong the lifetime of manufactured products. Circular economy policies often aim to achieve these same goals.

[a new paper in Climate Policy] .. assesses the effects of levying a charge (climate deposit) on the consumption of steel, cement and aluminium in the EU. The value of the charge is set per tonne of material and proportional to the carbon intensity of the production of the respective material with best available conventional production technologies. In the model the charge increases in line with a projected carbon price gradually to €80/tCO₂ by 2050. **The charge is applied to each unit of material consumed, regardless of its production method. Crucially, imported and domestically-produced materials are charged identically.**

... could reduce **total EU energy CO₂ emissions by 6% by 2050**, compared to baseline, with a potential **large reduction in process emissions (40%).**”

<https://climatestrategies.wordpress.com/2019/06/21/the-impact-of-implementing-a-climate-deposit-on-carbon-intensive-materials-in-europe/>, with link to Pollit, Neuhoff and Lin (2019), *Climate Policy Special Supplement*

The challenge is to navigate a difficult journey in a 'bottom-up' world – with varied actions and prices, and other dominant concerns



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 - Or pressure on countries ‘taking inadequate action’?
- National / aggregate indicators or product level?
- *What border?*
- Domestic politics or geopolitical diplomatic strategy?
 - *Exemption for poor / low emitters or revenue treatment*
 - *What ethical foundation – aligning national and international*



Also see large Climate Strategies project(s), most recent tsummarised as

<https://climatestrategies.org/publication/pb-trade-options-for-policymakers/>