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Preparing for the review of the EU ETS

**Camille Maury, Decarbonisation of Industry
Policy Officer**

WWF European Policy Office

Contact: cmaury@wwf.eu

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The ETS can and must support a just transition to a sustainable future

How to unlock the full potential of the ETS to fund a just transition to a sustainable system?

- Currently the ETS Directive suggests at least **50% of auction revenue** should be spent on climate action
- Investments do not have to be '*climate proof*' such that they are not necessarily consistent with a strategic pathway to climate neutrality
- **Not all ETS revenues are spent on climate action** - only 67% per Member State on average in 2018, meaning €9.3 billion rather than the full €13.9 billion
- At least **5% of funds** spent on climate action (€480 million) were used in ways that are counterproductive to climate action and a just transition - for example, to potentially unsustainable biomass projects

The ETS can and must support a just transition to a sustainable future

ETS FOR CLIMATE: THE SIX STEPS



Getting the ETS right means we can reduce carbon emissions quicker and also finance more climate action*

[STRATEGIC SPENDING: HOW THE EU EMISSIONS TRADING SYSTEM CAN FUND FAIR CLIMATE ACTION](#)

* Analysis based on ETS revenue data for 2016 to 2018 to inform recommendations

BCA & Decarbonisation of EU Industry



Border Carbon Adjustment must be implemented as an **alternative to free allocation** and within a wider set of policies to ensure the decarbonisation of industry

BCA introduction could possibly play different *catalyzer roles* in contributing to EU's industrial decarbonisation, and influence third countries to join the club, by:

- Raising revenues
- Acting as a political incentive
- Supporting regulatory alignment on the EU's environmental standards

BCA should be part of a wider set of policies and promote investment in low carbon industrial processes, energy efficiency measures and renewable energies to achieve the decarbonisation of industry through a clear policy framework

- Strong public innovation policy
- Contracts for difference or alternative measures
- Incentive to purchase low carbon materials