



POTSDAM INSTITUTE FOR
CLIMATE IMPACT RESEARCH

What are the main issues relevant to the discussion of the future of the EU ETS? Why are these issues important?

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ERCST Stakeholders Roundtable on Future of ETS

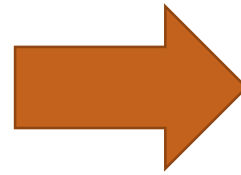
24 January 2024

Future of ETS about much more than just a policy tool

Speech | 14 July 2021 | Brussels

Statement by Executive Vice-President
Timmermans on delivering the European Green
Deal

*In many ways, the **ETS**
is front and center to
all our efforts.*



Future of **ETS** and **EU Green Deal** are intertwined

Because ETS is **so encompassing**, many (all) challenges of achieving net-zero will surface in ETS

Issues implied by pathway to net-zero

- › Issues related to required **broadening of scope: linking & integration**
 - › Linking/merging ETS2, implementation of and linking to AgETS(?), integration of CDR and CCU, international linking (Paris Article 6 and Clubs/CBAM)* ...
- › Issues related to **cap going down to net-zero** (and net-negative?)
 - › Market functioning when liquidity is low, role of market-based policies when technology heterogeneity is low, transition to carbon management** ...
- › Issues related to maintaining **market and political stability**
 - › Preventing/dampening excessive price movements, managing expectations (rules), targeted use of public funds for complementary (industrial and social) policies...
- › **Stability is the foundation** for building future ETS → What are the (new) risks to stability and how to manage them?

*See Article 30 of ETS Directive

**See Pahle et al. (2024): The Emerging Endgame: The EU ETS on the Road Towards Climate Neutrality

A “larger than the ETS” governance approach to stability?

