

Preparing for the Review of the EU ETS

Division and use of revenues & reflections on the December EUCO conclusions

Agenda

This meeting is under Chatham House Rules

Date: 21 January 2021

Time: 10:00 -12:00

Location: Zoom Webinar

The EU ETS has long been considered one of the cornerstones of the EU's climate policy. While it has been faced by many issues, the ETS has increasingly proven to be '[fit for purpose](#)' in recent years. Today, the EU ETS stands at the dawn of a new revision process, which will have to ensure that it helps delivering on the European Green Deal in an economically efficient way.

This meeting is part of a series of webinars which are part of ERCST's work stream on **the revision of the EU Emission Trading System**. Our aim is to bring together a group of stakeholders on a regular basis to discuss the most important issues on the table for the EU ETS revision. ***This webinar will be an opportunity for participants to engage in a discussion on the division and use of the EU ETS revenues, including through dedicated funding mechanisms.***

Currently, auction revenues are divided among Member States according to their share of historical emissions. Revenues can be used at a Member State's own discretion, although at least 50% *should* be used for climate- and energy-related purposes. Up to 25% can also be used by Member States to compensate for the indirect costs firms incur through increased electricity prices.

Moreover, provisions have been introduced in the past to increase the amount of allowances to be auctioned by lower-income Member States (the Solidarity Provision) or to set aside auctioning revenues to finance investments in particular low-carbon technological solutions (the Innovation Fund), and energy system investments in Central and Eastern European Member States (the Modernisation Fund).

In light of a strengthened 2030 target, some Member States have come forward with proposals to increase the size of the Modernisation Fund. At a meeting of EU environment ministers in October, Poland also proposed to change the baseline period for dividing allowances to be auctioned.

The European Commission is also looking into this issue, especially regarding the size of the funding mechanisms, as evident from the [Inception Impact Assessment](#) and [Public Consultation](#).

[The conclusions of the December European Council meeting](#), in which Member States endorsed a net domestic GHG reduction target of at least 55% by 2030, also included text on this issue, most notably paragraph 18, which reads that "*The problem of imbalances for beneficiaries of the Modernisation Fund in not receiving revenues that are equivalent to the costs paid by the ETS installations in those Member States will be addressed as part of the upcoming legislation.*"

The European Council is expected to return to the matter in March, and the European Commission will come forward with its proposal for the review in June.

This webinar is supported by PGE Group

10:00

Welcome

- A. Marcu, Director of ERCST

10:05

Presentation: state of play of the debate and options for the revision

In this presentation, ERCST will introduce the topic, outlining the 'state of play' of the debate on the use of revenues and discussing some options to operationalise the European Council's conclusions.

- J-Y. Caneill, ERCST
- D. Vangenechten, ERCST

10:25

Opening remarks

- A. Guibourge-Czetwertynski, undersecretary of state, Polish Ministry of Climate and Environment

10:30

Roundtable discussion

- F. Hannerz, Swedish Environmental Protection Agency
- W. Buk, PGE Group
- K. Treadwell, WWF
- C. O'Donoghue, Eurometaux

11:20

Moderated discussion with participants

Reactions by H. Bergman, DG CLIMA, European Commission

11:55

Concluding remarks