EU Parliament Rejects Carbon Market Solution

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Today, the European Union Parliament rejected a proposal to backload (or postpone) the auctioning of additional credits within the EU Emissions Trading Scheme (EU ETS). The proposal was aimed to rebalance the supply of credits and stabilize the price of carbon. The rejected vote prompted the price of credits within the EU ETS to plummet.

The European Commissioner for Climate Action, Connie Hedegaard responded to the vote, stating, "The Commission of course regrets that the European Parliament has not approved the back-loading proposal...Europe needs a robust carbon market to meet our climate targets and spur innovation. The Commission remains convinced that back-loading would help restore confidence in the EU ETS in the short term until we decide on more structural measures."

The WorldGBC's European Regional Network also weighed in on the vote, commenting, "Today is a desperately sad day for the EU; previously a world leader on climate change policy, and with many countries around the world developing their own cap-and-trade schemes, the message we have sent out is an overwhelmingly negative one."

The EU ETS not only supports the emissions reduction targets of European countries and corporations, but also the trading of the UN flexible mechanisms under the Kyoto Protocol, including Certified Emissions Reductions for Clean Development Mechanism projects. The future of the EU ETS and other market-based mechanisms is unclear; however, hopefully confidence will be restored in the emissions trading schemes around the world through effective and economically efficient policy structures. Market mechanisms offer strong potential for driving meaningful emissions reductions despite rapid urbanization. We do not have the luxury to wait for a robust price on carbon that includes all externalities.

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