

Union greenhouse gas emission trading scheme: establishment and operation of a market stability reserve

2014/0011(COD) - 06/10/2015 - Final act

PURPOSE: to establish a market stability reserve for the EU greenhouse gas emission trading scheme (EU ETS).

LEGISLATIVE ACT: Decision (EU) 2015/1814 of the European Parliament and of the Council concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and amending Directive 2003/87/EC.

CONTENT: [Directive 2003/87/EC](#) of the European Parliament and of the Council establishes a system for greenhouse gas emission allowance trading within the Union ('EU ETS') in order to promote reductions of greenhouse gas emissions in a cost-effective and economically efficient manner.

According to the European Council conclusions of 23 and 24 October 2014 on the 2030 climate and energy policy framework, a **well-functioning, reformed EU ETS** with an instrument to stabilise the market will be the main European instrument to achieve the Union's greenhouse gas emissions reduction target.

Market stability reserve: in order to make the EU ETS more resilient in relation to supply-demand imbalances, so as to enable the EU ETS to function in an orderly market, **a market stability reserve should be established in 2018** and it should be **operational as of 2019**.

- **The quantity of 900 million allowances deducted from auctioning volumes** during the period 2014-2016, as determined in [Regulation \(EU\) No 176/2014](#), shall not be added to the volumes to be auctioned in 2019 and 2020 **but shall instead be placed in the reserve**.
- **Allowances not allocated to installations shall be placed in the reserve in 2020**. The Commission shall review Directive 2003/87/EC in relation to those unallocated allowances and, if appropriate, submit a proposal to the European Parliament and to the Council.

In order to preserve a maximum degree of predictability, **clear rules should be set for placing allowances in the reserve** and releasing them from it. The reserve should function by triggering adjustments to the annual auction volumes.

Where the conditions are met, beginning in 2019, **an amount of allowances corresponding to 12 % of the number of allowances in circulation**, as set out in the most recent publication of the total number of allowances in circulation by the Commission, should be deducted **each year from the auction volumes and placed in the reserve** over a period of 12 months beginning on 1 September of that year, unless the number of allowances to be placed in the reserve would be less than 100 million.

In any given year, a corresponding number of allowances should be released from the reserve to Member States in the same proportions and order as applied when placing them in the reserve, and should be added to auction volumes if the relevant total number of allowances in circulation is less than 400 million.

Review: the Commission shall monitor the functioning of the reserve in the context of the report provided for in Article 10(5) of Directive 2003/87/EC. That report should consider relevant effects on

competitiveness, in particular in the industrial sector, including in relation to GDP, employment and investment indicators.

Within three years of the start of the operation of the reserve and at five-year intervals thereafter, the Commission shall, on the basis of an analysis of the orderly functioning of the European carbon market, **review** the reserve and submit a proposal, where appropriate, to the European Parliament and to the Council.

Each review shall also look into the impact of the reserve on **growth, jobs, the Union's industrial competitiveness and on the risk of carbon leakage**.