











# Procedure file

| Basic information  |   |
|--|---|
| <p>COD - Ordinary legislative procedure (ex-codecision procedure) Decision <a href="#">2021/0202(COD)</a></p>  | Awaiting Parliament's position in 1st reading |
| <p>Revision of the Market Stability Reserve for the EU Emissions Trading System</p> <p>Amending Decision 2015/1814 <a href="#">2014/0011(COD)</a></p> <p>Subject</p> <p>3.70.02 Atmospheric pollution, motor vehicle pollution</p> <p>3.70.03 Climate policy, climate change, ozone layer</p> <p>3.70.18 International and regional environment protection measures and agreements</p> <p>Legislative priorities</p> <p><a href="#">Joint Declaration 2021</a></p> <p><a href="#">Joint Declaration 2022</a></p> |   |

| Key players                            |   |  |            |
|--|---|--|------------|
| European Parliament                    | Committee responsible   | Rapporteur   | Appointed  |
|  |  <a href="#">Environment, Public Health and Food Safety</a> |  <a href="#">ENGERER Cyrus</a>         | 16/09/2021 |
|  |   | Shadow rapporteur  |            |
|  |   |  <a href="#">BUȘOI Cristian-Silviu</a> |            |
|  |   |  <a href="#">WIESNER Emma</a>          |            |
|  |   |  <a href="#">BLOSS Michael</a>         |            |
|  |   |  <a href="#">VONDRA Alexandr</a>       |            |
|  |   |  <a href="#">MODIG Silvia</a>          |            |
|  | Committee for opinion   | Rapporteur for opinion   | Appointed  |
|  |  <a href="#">Industry, Research and Energy</a>             |  <a href="#">GAMON Claudia</a>         | 07/10/2021 |
| Council of the European Union          |   |  |            |
| European Commission                    | Commission DG   | Commissioner   |            |
|  | <a href="#">Climate Action</a>  | TIMMERMANS Frans   |            |
| European Economic and Social Committee |   |  |            |
| European Committee of the Regions      |   |  |            |

| Key events |                                |                               |         |
|------------|--------------------------------|-------------------------------|---------|
| 14/07/2021 | Legislative proposal published | <a href="#">COM(2021)0571</a> | Summary |

|            |   |   |         |
|------------|---|---|---------|
| 13/09/2021 | Committee referral announced in Parliament, 1st reading |   |         |
| 15/03/2022 | Vote in committee, 1st reading                          |   |         |
| 16/03/2022 | Committee report tabled for plenary, 1st reading        | <a href="#">A9-0045/2022</a>  | Summary |
| 04/04/2022 | Debate in Parliament                                    |  |         |
| 05/04/2022 | Decision by Parliament, 1st reading                     | <a href="#">T9-0101/2022</a>  | Summary |
| 05/04/2022 | Matter referred back to the committee responsible       |   |         |

### Technical information

|  |   |
|--|---|
| Procedure reference                          | 2021/0202(COD)  |
| Procedure type                               | COD - Ordinary legislative procedure (ex-codecision procedure)  |
| Procedure subtype                            | Legislation   |
| Legislative instrument                       | Decision  |
|  | Amending Decision 2015/1814 <a href="#">2014/0011(COD)</a>  |
| Legal basis                                  | Treaty on the Functioning of the EU TFEU 192-p1   |
| Mandatory consultation of other institutions | <a href="#">European Economic and Social Committee</a><br><a href="#">European Committee of the Regions</a> |
| Stage reached in procedure                   | Awaiting Parliament's position in 1st reading   |
| Committee dossier                            | ENVI/9/06894  |

### Documentation gateway

|  |             |                               |            |      |         |
|--|-------------|-------------------------------|------------|------|---------|
| Legislative proposal   |             | <a href="#">COM(2021)0571</a> | 14/07/2021 | EC   | Summary |
| Document attached to the procedure                                     |             | SWD(2021)0552                 | 15/07/2021 | EC   |         |
| Committee draft report   |             | <a href="#">PE700.689</a>     | 06/12/2021 | EP   |         |
| Economic and Social Committee: opinion, report                         |             | <a href="#">CES3918/2021</a>  | 08/12/2021 | ESC  |         |
| Amendments tabled in committee   |             | <a href="#">PE704.569</a>     | 20/01/2022 | EP   |         |
| Committee opinion  | <b>ITRE</b> | <a href="#">PE703.111</a>     | 04/03/2022 | EP   |         |
| Committee report tabled for plenary, 1st reading/single reading        |             | <a href="#">A9-0045/2022</a>  | 16/03/2022 | EP   | Summary |
| Text adopted by Parliament, partial vote at 1st reading/single reading |             | <a href="#">T9-0101/2022</a>  | 05/04/2022 | EP   | Summary |
| Committee of the Regions: opinion                                      |             | <a href="#">CDR4546/2021</a>  | 28/04/2022 | CofR |         |

### Additional information

|                   |                          |            |
|-------------------|--------------------------|------------|
| Research document | <a href="#">Briefing</a> | 28/01/2022 |
|-------------------|--------------------------|------------|

**PURPOSE:** to amend Decision (EU) 2015/1814 as regards the amount of allowances to be placed in the market stability reserve for the Union greenhouse gas emission trading scheme until 2030.

**PROPOSED ACT:** Decision of the European Parliament and of the Council.

**ROLE OF THE EUROPEAN PARLIAMENT:** the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

**BACKGROUND:** all sectors of the economy need to contribute to achieving those emission reductions. Therefore, the ambition of the EU Emissions Trading System (EU ETS), established by Directive 2003/87/EC of the European Parliament and of the Council, should be adjusted to be in line with the economy-wide net greenhouse gas emissions reduction commitment for 2030.

In order to address the structural imbalance between supply and demand of allowances in the market, Decision (EU) 2015/1814 of the European Parliament and of the Council established a market stability reserve (MSR) in 2018, which has been operational since 2019.

The reserve functions by triggering adjustments to the annual volumes of allowances to be auctioned. In order to preserve a maximum degree of predictability, Decision (EU) 2015/1814 established clear rules for placing and releasing allowances in the reserve.

The European Green Deal launched a new growth strategy for the EU that aims to transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy. The [European Climate Law](#) has made the EU's climate neutrality target by 2050 legally binding.

The Commission has presented a complementary and interconnected set of proposals as part of the 2030 Climate and Energy Fit for 55 package to achieve the greenhouse gas emission reduction target of at least 55% compared to 1990. This Fit for 55 legislative package is the most comprehensive building block in the efforts to implement the ambitious new 2030 climate target, and all economic sectors and policies will need to make their contribution.

The Fit for 55 package, the Next Generation EU and the Multiannual Financial Framework for 2021-2027 will help to achieve the twin green and digital transitions that Europe is aiming for.

As part of this package, this proposal aims to increase the environmental contribution of the EU Emissions Trading System (EU ETS).

As the MSR Decision currently stands, the 24 % intake rate of the MSR and the minimum amount to be placed in the reserve of 200 million allowances will expire in 2023. As from 2024, the intake rate would become 12 %. 12 % intake rate would not be enough to ensure that the objectives of the MSR in terms of reducing the surplus and ensuring market resilience would still be fulfilled.

**CONTENT:** with this proposal, the Commission seeks to ensure that the current parameters of the MSR (intake rate of 24 % and minimum amount to be placed in the reserve of 200 million allowances) are maintained beyond 2023 and until the end of Phase IV of the EU ETS on 31 December 2030 to ensure market predictability. The MSR intake rate would revert to 12 % after 2030.

#### Monitoring and reporting

The Commission will continue to monitor and evaluate the functioning of the EU ETS, including the MSR, in its annual Carbon Market Report. The initiative builds on the process based on integrated national energy and climate plans and the robust transparency framework for greenhouse gas emissions and other climate information. The Commission will use the information submitted and reported by Member States under the Governance Regulation as a basis for its regular assessment of progress. This includes information on greenhouse gas emissions, policies and measures, projections and adaptation.

## Revision of the Market Stability Reserve for the EU Emissions Trading System

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The Committee on the Environment, Public Health and Food Safety adopted the report by Cyrus ENGERER (S&D, MT) on the proposal for a decision of the European Parliament and of the Council amending Decision (EU) 2015/1814 as regards the amount of allowances to be placed in the market stability reserve for the Union greenhouse gas emission trading scheme until 2030.

Members support the Commission's proposal to ensure that the current parameters of the market stability reserve (24% intake rate and minimum quantity to be placed in the reserve of 200 million allowances) are maintained beyond 2023 and until the end of phase IV of the EU Emissions Trading Scheme (EU ETS) on 31 December 2030, in order to ensure market predictability. The market stability reserve allowance rate would return to 12% after 2030.

The report pointed out that if the rate of the total number of allowances in circulation to be placed in the reserve each year reverts to 12 % after 2023, a significant and harmful surplus of allowances in the EU ETS could disturb market stability and the proper functioning of the EU ETS, and as a result jeopardise the achievement of greenhouse gas emission reductions necessary to meet legally binding climate targets. It is therefore important to ensure that the rate does not fall below 24% after 2023 and that the minimum number of allowances to be placed in the reserve does not fall below 200 million.

The committee responsible introduced a number of changes in the recitals of the proposal. The report stressed the following points:

- the urgency of the need to keep the Paris Agreement goal of 1.5 °C alive has become more significant following the findings of the IPCC in its report of 7 August 2021 entitled Climate Change 2021: The Physical Science Basis. The EU ETS, and therefore the reserve, should also be aligned with the efforts to limit the global temperature increase to 1.5°C above pre-industrial levels, recognising that this would significantly reduce the risks and impacts of climate change;
- the need to act urgently on the increased frequency and intensity of extreme weather events as a direct consequence of climate change. The EU should address this urgency by stepping up its efforts and establishing itself as an international leader in the fight against climate change;
- the need to mitigate climate change to maintain and improve the health of biodiversity, which also protects human health;
- the importance of achieving the EU's binding commitment to reduce net greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels while leaving no one behind in a just transition.

The Commission should continuously monitor the functioning of the reserve and ensure that the reserve remains fit for purpose in the event of future unpredictable external shocks.

Members consider that the rate of 24 % after 2023 should be established separately from the general review of Directive 2003/87/EC and Decision (EU) 2015/1814 to strengthen the EU ETS in line with the Unions increased climate ambition for 2030 to ensure that there is market predictability.

## Revision of the Market Stability Reserve for the EU Emissions Trading System

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The European Parliament adopted amendments to the proposal for a decision of the European Parliament and of the Council amending Decision (EU) 2015/1814 as regards the amount of allowances to be placed in the market stability reserve for the Union greenhouse gas emission trading scheme until 2030.

Parliament supported the present decisions objective, that is to ensure that the current parameters of the market stability reserve (24% intake rate and minimum quantity to be placed in the reserve of 200 million allowances) are maintained beyond 2023 and until the end of phase IV of the EU Emissions Trading Scheme (EU ETS) on 31 December 2030, in order to ensure market predictability.

Members pointed out that if the rate of the total number of allowances in circulation to be placed in the reserve each year reverts to 12 % after 2023, a significant and harmful surplus of allowances in the EU ETS could disturb market stability and the proper functioning of the EU ETS, and as a result jeopardise the achievement of greenhouse gas emission reductions necessary to meet legally binding climate targets. It is therefore important to ensure that the rate does not fall below 24% after 2023 and that the minimum number of allowances to be placed in the reserve does not fall below 200 million.

Parliament introduced a number of changes in the recitals of the proposal. It emphasised the following points:

- the fact that the revision of the EU Emissions Trading Scheme (EU ETS), including its market stability reserve, is a unique opportunity to contribute to strengthening the EU's climate action ahead of the 27th Conference of the Parties (COP 27) to the UNFCCC in Egypt;
- the urgency of maintaining the Paris Agreement's objective of limiting global warming to 1.5°C in the light of the IPCC's findings in its report of 7 August 2021, entitled *Climate Change 2021: The Physical Science Basis*, as the report indicates that unless immediate and ambitious reductions in greenhouse gas emissions are made, it will no longer be possible to limit global warming to around 1.5°C or even 2°C;
- the need to act urgently on the increased frequency and intensity of extreme weather events as a direct consequence of climate change. The EU should address this urgency by stepping up its efforts and establishing itself as an international leader in the fight against climate change;
- the need to mitigate climate change to maintain and improve the health of biodiversity, which also protects human health. Parliament recalled its [resolution](#) of 28 November 2019 on the climate and environment emergency in which it urged the Commission to take immediate and ambitious action to limit global warming to 1,5 °C and to avoid massive biodiversity loss;
- the importance of achieving the EU's binding commitment to reduce net greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels in a manner that is just and results in no one being left behind, including those at risk of energy poverty.

Parliament recalled that according to the 2021 Carbon Market Report, the total number of allowances in circulation increased again in 2020 to 1 579 billion from 1 385 billion in 2019. This sharp increase in the overall surplus is linked to a lower demand due to the COVID-19 crisis. The Commission estimates that it will take up to four years for that additional 2020 surplus to be absorbed, thereby further delaying the urgent need to absorb the historical surplus and make the EU ETS fit for purpose.

As a result, the Commission should continuously monitor the functioning of the reserve and ensure that the reserve remains fit for purpose in the event of unforeseeable external shocks.

Members consider that the rate of 24 % after 2023 should be established separately from the general review of Directive 2003/87/EC and Decision (EU) 2015/1814 to strengthen the EU ETS in line with the Unions increased climate ambition for 2030 to ensure that there is market predictability.