Enhancing cost-effective emission reductions and low carbon investments; Modernisation Fund

2015/0148(COD) - 15/02/2017 - Text adopted by Parliament, partial vote at 1st reading/single reading

The European Parliament adopted by 379 votes to 263, with 57 abstentions, amendments to the proposal for a directive of the European Parliament and of the Council amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments.

The issues was referred back to the committee responsible, for interinstitutional negotiations.

The main amendments made in plenary concern the following issues:

Emission reduction: Members called for a well-functioning, reformed Union emission trading system (EU ETS) with an enhanced instrument to stabilise the market. They approved the Commission proposal to increase the so-called linear reduction factor - the yearly reduction of credits, in order to deliver on the carbon curbs to 2.2 % from 2021 and shall be kept under review with a view to increasing it to 2.4 % by 2024 at the earliest.

Small emitter: the existing provisions which are in place for small installations to be excluded from the EU ETS should be extended to cover installations operated by small to medium enterprises (SMEs) emitting less than 50 000 tonnes of CO2 equivalent in each of the three years preceding the year of the application for exclusion.

Allocation and issuing of quotas: unused free allowances should be made available to help address the risk of carbon leakage in industries with high carbon and trade intensity. Members stated that from 1 January 2021, 50 % of allowances shall be auctioned.

From 2019 onwards, Member States shall either auction or cancel allowances that are not allocated free of charge and are not placed in the market stability reserve.

From 2021 onwards, the share of allowances to be auctioned or cancelled shall be 57 %, and that share shall decrease by no more than five percentage points over the entire ten year period beginning on 1 January 2021.

In addition, 3 % of the total quantity of allowances to be issued between 2021 and 2030 shall be auctioned in order to compensate sectors or sub-sectors which are exposed to a genuine risk of carbon leakage due to significant indirect costs actually incurred as a result of greenhouse gas emission costs being passed on in electricity prices.

Parliament also agreed that 800 million allowances should be removed from the Market Stability Reserve as of 1 January 2021.

Just Transition Fund: this Fund shall be created as of 1 January 2021 as a complement to the European Regional Development Fund and the European Social Fund and shall be funded through the pooling of 2% of the auctioning revenues.

The revenues of those auctions would remain at Union level, with the goal of using them to cushion the social impact of climate policies in regions which combine a high share of workers in carbon-dependent sectors and a GDP per capita well below the Union average.

Those auctioning revenues aimed at just transition can be put to use in different ways, such as: (i) creating redeployments and/or mobility cells, (ii) education/training initiatives to re-skill or upskill workers, (iii) support in job search, (iv) business creation.

Aviation: an amendment stipulated that the total quantity of allowances to be allocated to aircraft operators in 2021 shall be 10% lower than the average allocation for the period from 1 January 2014 to 31 December 2016, and then decrease annually at the same rate as that of the total cap for the EU ETS so as to bring the cap for the aviation sector more in line with the other EU ETS sectors by 2030.

From 2021 onwards, no free allocation of allowancesunder this Directive shall be granted to the aviation sector unless it is confirmed by a subsequent decision adopted by the European Parliament and the Council.

Auction revenues should also be used for climate financing actions in vulnerable third countries, including adaptation to the impacts of climate change.

Maritime transport: as from 2021, in the absence of a comparable system operating under the International Maritime Organisation (IMO), CO2 emissions emitted in Union ports and during voyages to and from Union ports of call, shall be accounted for through a system set which shall be operational from 2023.

In the event that an international agreement on global measures to reduce greenhouse gas emissions from maritime transport is reached, the Commission shall review this Directive and shall, if appropriate, propose amendments in order to ensure alignment with that international agreement.

Parliament proposed setting up a Maritime Climate Fund to compensate for maritime emissions, improve energy efficiency, facilitate investments in innovative technologies and reduce CO2 emissions from the sector.

Innovation: the amended text provides that 600 million allowances shall be available to leverage investments in innovation in low-carbon technologies and processes in industrial sectors listed in Annex I of the Directive, including bio-based materials and products substituting carbon intensive materials and to help stimulate the construction and operation of commercial demonstration projects that aim at the environmentally safe capture and storage (CCS) and carbon capture and use (CCU).

In order to promote innovative projects, up to 75% of the relevant costs of projects may be supported.

Collection of information and non-compliance: in case of a reasonable suspicion of irregularities or a failure by a Member State to provide the list and the information set out in the Directive, the Commission may start an independent investigation and investigate other possible infringements, such as failure to implement the Third Energy Package.