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

2015/0148(COD) - 06/02/2018 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 535 votes 104 with 39 abstentions, a legislative resolution on 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.

Parliaments position adopted in first reading following the ordinary legislative procedure amended the Commission proposal as follows:

Reductions of emission allowances: the amended text provides for an increase in the annual reduction of emission allowances to be placed on the market ("linear reduction factor") by 2.2% from 2021, as opposed to the current 1.74 %.

In a statement, the Commission acknowledges that further efforts are needed to achieve the EU's 2050 GHG objective to reduce GHG emissions in line with reaching the long-term targets of the Paris Agreement. As part of any future review of the Directive, it undertakes to consider an increase of the linear reduction factor in the light of international developments.

Auctioning of quotas: the auctioning of quotas will remain the general rule and the allocation of allowances free of charge, the exception.

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

From 2021 onwards, the share of allowances to be auctioned shall be 57 %. In the event that demand for free allowances triggers the need to apply a uniform cross-sectoral correction factor before 2030, the share of allowances to be auctioned over the ten year period beginning on 1 January 2021 should be reduced by up to 3 % of the total quantity of allowances.

For the purposes of solidarity, 10 % of the allowances to be auctioned by the Member States should be distributed among those Member States whose gross domestic product (GDP) per capita at market prices did not exceed 90 % of the Union average in 2013, and the rest of the allowances should be distributed among all Member States on the basis of verified emissions.

Modernisation Fund: this fund established for the period 2021-2030 will be financed by the auction of 2 % of the total quantity of allowances.

At least 70 % of the financial resources from the Modernisation Fund shall be used to support investments in the generation and use of electricity from renewable sources, and the improvement of energy efficiency, as well as to support a just transition in carbon-dependent regions in the beneficiary Member States, so as to support the redeployment, re-skilling and up-skilling of workers, education, job-seeking initiatives and start-ups.

The fund may not be used for projects requiring the use of coal, with the exception of district heating in the poorest Member States.

Innovation: an innovation fund will would support renewable energies, carbon capture and storage, and low-carbon innovation projects. In addition to 400 million allowances initially made available for the period from 2021 onwards, revenues from the 300 million allowances available for the period from 2013 to 2020 not yet committed to innovation activities should be supplemented with 50 million unallocated allowances from the market stability reserve, and be used in a timely manner to support innovation.

Carbon leakage: the directive provides for the continued temporary allocation of allowances to facilities in sectors that are exposed to a genuine risk of carbon leakage, to prevent real risks of increased greenhouse gas emissions in third countries where companies are not subject to comparable carbon emission constraints. The least exposed sectors would receive 30% for free.

Optional exclusion of installations with emissions of less than 2,500 tonnes: the amended text provides that Member States may, under certain conditions, exclude from the EU ETS those installations which have declared to the competent authority of the Member State concerned emissions below 2,500 tonnes of carbon dioxide equivalent, excluding emissions from biomass.

Review: the directive will be reviewed in the light of developments at the international level and efforts to achieve the long-term objectives of the Paris Agreement. Measures to support certain energy-intensive industries that are likely to be exposed to carbon leakage will also be reviewed.

Furthermore, before 1 January 2020, the Commission will present an updated analysis of the non-CO 2 effects of aviation, accompanied, where appropriate, by a proposal on how best to address those effects. The Commission also undertook to examine the next appropriate measures to ensure a fair contribution from the maritime sector, including the strategy proposed by Parliament. It reaffirmed its commitment to developing an initiative to provide tailor-made support to ensure a just transition in the coal and carbon-intensive regions of the Member States concerned.