

BACKGROUND INFORMATION

The EU ETS is a major pillar of the European Union's climate policy and the first and largest greenhouse gas (GHG) emissions trading scheme in the world. This scheme regulates emissions in over 11,000 European heavy energy consuming installations (e.g. power generation, industrial plants, manufacturing, etc.).

The EU ETS is based on the so-called 'cap and trade' principle. A cap (ceiling) is set on the total amount of certain greenhouse gases (e.g. carbon dioxide) that can be emitted by the installations covered by the system. A number of allowances equal to the annual cap are issued and distributed at the beginning of every year.

Each regulated installation can trade their allowances in the so-called 'carbon market' and must monitor and report their emissions each year and surrender a number of allowances equal to their annual emissions. The development of the EU ETS has gone through different phases. In 2009, there was a major revision of the EU ETS to be applied to the current phase III (2013-2020). In July 2015 the European Commission presented a legislative proposal to revise the EU ETS for the period after 2020 to apply as of 2021 for phase IV. The revised EU ETS Directive (Directive (EU) 2018/410) entered into force on 8 April 2018.

Project duration: September 2016-December 2018

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Developed within the Florence School of Regulation Climate of the Robert Schuman Centre for Advanced Studies, European University Institute



LIFE SIDE is co-financed by the LIFE Programme of the European Union



SUPPORTING EUROPEAN POLICYMAKERS WITH THE DESIGN AND IMPLEMENTATION OF THE EUROPEAN UNION EMISSIONS TRADING SCHEME (EU ETS)

GOAL AND OBJECTIVES

Overall goal: **supporting and informing European policymakers** (e.g. politicians, civil servants, members of environmental agencies) with the design and implementation of the new EU ETS legislation.

Objectives:

1. To collect and disseminate empirical knowledge and information on the economic functioning of the EU ETS;
2. To establish a network of EU ETS experts;
3. To create a forum enabling interaction amongst policymakers, stakeholders and EU ETS experts.

ACTIVITIES

ECONOMIC ASSESSMENT OF THE EU ETS

The project has produced a literature-based report assessing the economic performance of the EU ETS, through the collection and analysis of all relevant existing empirical research. The report takes into account feedback from policymakers and stakeholders, gathered through four workshops organised in the course of the project and devoted to the main areas of the assessment.

Focus of the assessment:

1. Free allowance allocation
2. Competitiveness effects and carbon leakage
3. Interactions with other policies
4. Low-carbon innovation and investment
5. Emissions Trading Systems: the international dimension
6. A multi-criteria evaluation of the EU ETS.

Information on the outcomes of the assessment are available on the project website.

CAPACITY BUILDING

A residential and an on-line training course, targeting European policymakers and stakeholders, were organised. They provided a comprehensive analysis of the functioning and regulation of the EU ETS and of its interaction with other European policies.

POLICY DIALOGUE

Three events were organised in Florence and Brussels to stimulate interaction with policymakers on the design and implementation of the EU ETS legislation. The events raised awareness and stimulated dialogue amongst different audiences, at the international, European and local level:

- International: Side Event at the EUI State of the Union Conference;
- European: Public Debate at the European Parliament (EP);
- Local: meeting at the Florence Chamber of Commerce.

OUTCOMES

- A literature-based **economic assessment of the EU ETS** since its inception and a well-structured informative support system for EU policymakers.
- An **established network of 25 experts** on the EU ETS.
- **150 policymakers and stakeholders** attending the project workshops, side events and EP public debate.

- More than 5.000 policymakers and stakeholders from European institutions, governments, NGOs, the industry and academic sectors, made aware of the project policy debate.
- **40 participants** in the residential and online training courses on the EU ETS. The vast majority of them (90%) acknowledged a considerable increase in their knowledge on the subject.
- Project results presented at **20 national and international events**, including the World Congress of Environmental and Resources Economists, in Gothenburg and the LIFE Platform Meeting on Climate Change Mitigation in Energy Intensive Industries, in Utrecht.
- All presentations, video lectures, interviews and policy briefs, produced by the project, publicly available online.



Life Side residential training course on the EU emissions trading system