**Weak emissions trading caps detrimental to climate and employment**

**Research by WWF, in collaboration with Sandbag, identifies the 10 companies in Belgium that have potentially profited the most from the failing Emissions Trading Scheme (ETS), and labels them ‘Carbon Fat Cats’. This is the ultimate illustration that the ETS does not fulfill its objective to encourage deep greenhouse gas reductions across energy-intensive industries. WWF and Sandbag call for ambitious structural reforms to the ETS as outlined in the European Commission’s recent ETS report. A stronger price signal will spur investment in innovative technologies and, over the long term, create a competitive advantage for Belgian industry compared to companies outside Europe.**

**The EU emissions trading scheme: a system in crisis**

The ETS is a ﬂagship climate policy of the European Union. Under this scheme, all energy intensive installations on EU territory are subject to the ‘cap and trade’ principle. The total amount of greenhouse gasses that can be emitted within the ETS is limited, after which each installation is allocated an amount of CO2-emissions under the form of CO2-credits (EU emissions allowances or EUAs). Companies can sell or buy these credits as needed.

Scarcity in the market, due to a yearly decrease in the allocated EUAs, is supposed to guarantee a CO2-price that drives investments in energy savings and renewable energies. However, initial over-allocation, the economic crisis, and the possibility to purchase international emission reduction credits (CDM and JI) has led to a surplus rather than scarcity: altogether EU installations have accrued a surplus over 950 million EUAs between 2008 and 2011.

**Belgian Carbon Fat Cats: abuse of a system in crisis**

The ten Belgian Carbon Fat Cat companies, that come from the metallurgy, chemical, cement and electricity sector, represent an excess of 29 million EUAs (see graphic): this is almost one quarter of the total annual Belgian CO2-emissions

The two biggest Carbon Fat Cats illustrate the possible implications of such surplus. ***Duferco*** used its excess allowances to pay employees’ salaries during a period of prolonged inactivity, an unjust use of public resources that were solely awarded to the company to protect it from environmental costs. ***Arcelor Mittal*** made the decision to prolong the activity of two installations conditional on receiving 14 million additional free EUAs from the Belgian authorities, on top of its already ample surplus. In both bases, the installations were still closed in 2011 and 2012.

Jan Vandermosten, WWF-Belgium, concludes: *“our investigation underscores that companies use public resources, under the form of allocated carbon allowances, for ad-hoc solutions that have no lasting benefit for the environment or employment. Belgian authorities have not undertaken the necessary steps to constrain these practices. Our industry will profit more from industrial practices and policies that truly drive sustainable production processes, and that lay the basis for a competitive low carbon economy.”*

**Reform of the EU ETS: a way out of the crisis**

The EU ETS has been underperforming, and will continue to fail unless more is done. The European Commission launched proposals this week to revive the system. As a short term measure, it proposed to temporarily withhold 900 million EUAs from being auctioned until 2019 and 2020. It moreover proposed options for permanent structural reforms, including increasing Europe’s 2020 climate target and making the trajectory of the ETS cap more ambitious.[[1]](#footnote-1)

Damien Morris of Sandbag reacts*: “The recession has made the current ETS emissions cap totally obsolete. Instead of driving the substantial domestic emissions reductions intended, the scheme is accumulating massive surpluses of carbon allowances that threaten to waylay Europe’s mitigation efforts for years – if not decades – to come. Belgium and other EU Member States would be far better served by an ETS cap that is aligned with Europe’s new economic circumstances and with its long-term climate goals. We therefore call on Belgian policymakers to vocally support the European Commission’s latest proposals to tighten the supply of ETS allowances over both the near and longer term.”*

**ENDS**

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1. For more information: <http://europa.eu/rapid/press-release_IP-12-1208_en.htm> [↑](#footnote-ref-1)