PRESS RELEASE FOR IMMEDIATE RELEASE

EU Emissions fall dramatically leaving carbon trading scheme high and dry

New data released by the European Commission today reveals that industrial emissions in 2009 fell by a dramatic 11% in a single year putting them **below** the caps that have been set.

This sudden drop off will undermine the EU Emissions Trading System, which is supposed to create incentives for emissions cuts by dictating the level of industrial greenhouse gas pollution in the EU until 2020. In 2009 emissions dropped below the fixed cap giving an overall surplus of permits equivalent to 62 million tonnes of emissions [1]. An additional 70 million permits were also released in auctions taking the total surplus to 142 million tonnes.

This net surplus masks the fact that heavy industry actually generated a surplus of 185 million tones while the power sector faced a shortfall of 123.5 million tonnes. Industrial sectors had on average 30% more allowances than they needed [1].

Surplus permits can be banked forward indefinitely and set against future targets or sold at a profit. So despite the fact that the emissions to the atmosphere have gone down, there will be no overall additional reduction in emissions unless the caps are tightened. Crucially heavy industry will avoid any incentives to reduce their emissions or invest in more energy efficient technologies for many years to come.

Some oppose tightening caps in a recession for fear that it will lead to demands for caps to be loosened in a period of economic growth. However, the purpose of the laws introducing caps is to deliver an environment outcome – tightening caps is completely in line with that objective whereas loosening them is not.

Commenting on the new data, Bryony Worthington, Founder and Director of climate campaign group Sandbag said:

“This new information makes it clearer than ever that the EU must increase its climate ambitions. Caps are now sitting above emissions and we are already over half way towards meeting the caps that have been set for 2020. Emissions are falling faster than could have been imagined, but this recession could have a silver lining for the environment and the economy. If the caps are tightened then the EU can grow back to a position of economic strength through green investment."

[1] Our analysis is based on the data released to date which has to be at least 80% complete. 2,571 out of the 12,000 installations covered by the scheme do not currently have verified emissions for 2009. Between them they have been allocated 174 million tonnes of emissions permits. A 100% complete set of data will be made available on May 15th.

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Notes to editors

Sandbag is a not-for-profit organisation, established in October 2008, and focused on scrutinising the workings of the EU Emissions Trading System: the world's most extensive climate change policy to date.

We will be undertaking more detailed analysis of the data on a country by country, sectoral and country basis over the coming days.

For more information on Sandbag please visit www.sandbag.org.uk or email info@sandbag.org.uk

The information released today by the European Commission covers emissions in 2009 by installations covered by the EU Emissions Trading System. This covers roughly half of the EU's emissions of carbon dioxide. Data is provided in the EU Community Transaction Log.

http://ec.europa.eu/environment/climat/emission/citl_en_phase_ii.htm#reports

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The economic recession contributed to the steep cut, as production and energy demand declined, but increased use of cleaner forms of electricity also played a part.