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## Press Release

9 November 2006

# European economists and WWF call for stronger EU carbon market

Brussels, Belgium – Over fifty leading European economists have signed a WWF statement declaring that emission trading is the appropriate instrument to tackle climate change and reduce carbon dioxide (CO<sub>2</sub>) emissions by large polluters. They call for a strengthening of the European Emissions Trading Scheme (EU ETS) for it to become effective.

The statement says that emission trading offers industries the maximum flexibility at the least cost to cut greenhouse gas emissions and provides clear incentives for better technology investments. However, to function effectively it is essential that the market delivers a meaningful price for carbon. This requires a scarcity in supply that can be achieved through tougher emissions limits.

The WWF statement was handed-over to the European Commission today by two of the signatories, Prof. Michael Grubb from the University of Cambridge and Dr. Ottmar Edenhofer from the Potsdam Institute for Climate Impact Research. At a joint press conference, EU Environment Commissioner Stavros Dimas signed the statement too.

“A stronger EU Emissions Trading Scheme is essential to fulfil the obligations undertaken with the Kyoto Protocol and contribute to keep global warming below 2 degrees compared to pre-industrial levels”, says Dr. Stephan Singer, Head of the European Climate and Energy Unit at WWF. “But most EU Member States are showing little desire to engage, proposing very weak limits to emissions of their installations. It is vital that bad national allocation plans are rejected for the EU to maintain a high standing in the fight against climate change.”

The European Emissions Trading Scheme is a cornerstone of climate change policy in Europe and is the first international trading system for CO<sub>2</sub> emissions in the world. It covers approximately 11,400 power stations and heavy industrial sites responsible for half of Europe’s CO<sub>2</sub> emissions.

However, data released earlier this year show that European governments granted too many pollution permits in the first phase of the scheme (2005-2007) which led to a price collapse. As for the second phase (2008-2012) feeble limits on CO<sub>2</sub> emissions, coupled with extremely generous rules for using imported credits, threaten to undermine the scheme. According to WWF, weak national allocation plans submitted by Member States, such as Germany, Poland, France and Greece, must be rejected.

“Our analysis shows that allocations proposed at present are too lax, so they will not create adequate incentives either to cut back emissions or to fund investment that helps developing country emission reductions. A few countries, like Spain, stand out for making a serious effort but too many others contradict Europe’s claims to lead on climate change. And by making such a small contribution to Europe’s Kyoto targets, they leave Finance ministries to pick up the bill for compliance. We need tighter limits with real cutbacks, and to see excessive free allocations replaced by auctioning. The sooner auctioning starts, the better for Europe’s economy and for global climate”, said Prof. Michael Grubb.

“The costs of tackling climate change are overestimated. They are much lower than the ones caused by climate change impacts, such as floods, droughts or new infrastructures. Only if we take action soon, the

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**WWF – World Wide Fund For Nature (also known as World Wildlife Fund)**



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reduction of climate pollution will be relatively cheap and have positive effects on European economies. The EU Emissions Trading Scheme plays an important role, but it needs to be simplified and harmonised in order to reduce competitive distortions created by the current practice that leaves each Member State granting emission allowances in different ways", said Dr. Ottmar Edenhofer.

EU Commissioner for Environment Stavros Dimas said: "The EU Emissions Trading Scheme is a vital instrument for meeting our Kyoto targets and combating climate change beyond 2012. It is driving the growing global carbon market. The fact that the plans submitted so far propose caps in most cases exceeding verified emissions for 2005 is disappointing. I will ensure a tough and fair assessment of all plans and we intend to take decisions on a first set of national allocation plans in the coming weeks."

**For further information:**

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**Notes to the editors:**

- In the first period of the EU Emissions Trading Scheme (2005-2007), installations were allocated more emission permits (allowances) than needed. Actual emissions in 2005 were several million tonnes below the granted permits, thus undermining the credibility of the scheme.
- The European Commission is now considering Member States' proposed allocation plans for the scheme's second phase, from 2008 to 2012, and is due to make decisions on the first group of plans imminently.
- Under the Kyoto Protocol the EU committed to an 8% reduction target of carbon dioxide emissions. Penalties will be applied to countries that fail to meet their targets.
- The Kyoto Protocol established Joint Implementation and the Clean Development Mechanism in order to help countries with emissions reduction targets to reduce the cost of meeting their targets by investing in external credits from projects abroad which cost less than they would at home. One of the key aims of the Clean Development Mechanism is also to help developing countries achieve sustainable development.
- Kenya hosts the second Meeting of the Parties to the Kyoto Protocol (MOP2) in conjunction with the 12th session of the Conference of the Parties to the Climate Change Convention (COP12) in Nairobi from 6 to 17 November: [http://unfccc.int/meetings/cop\\_12/items/3754.php](http://unfccc.int/meetings/cop_12/items/3754.php).
- This press release and related material is available on [www.panda.org/eu](http://www.panda.org/eu).