

Climate Change - Expand ETS: include additional sectors of the economy, reach net zero by 2050, and use market forces

The Congress of the Alliance of Liberals and Democrats for Europe (ALDE) Party convening virtually on 11-12 June 2021:

Acknowledges that:

- many different solutions will be needed to rapidly mitigate climate change in line with the goals of the Paris Agreement – from building materials, to greener production and smarter transport; thus covering both more efficient energy use and cleaner energy production;
- the EU ETS is the largest quota system and the largest system of emissions trading with a carbon price. Emission allowances are the ‘currency’ of the EU ETS, and each can address the possessor the right to emit amounts of CO₂ as the foremost greenhouse gas, or the equivalent amount of two more potent greenhouse gases, nitrous oxide (N₂O) and perfluorocarbons (PFCs). “Carbon emissions” mentioned later is really short for CO₂-equivalents including these gases.

Recognises that:

- the near universal agreement among economists that the most efficient way to reduce carbon emissions is to get a market-driven carbon price which is sufficiently high – covering as much of the economy together and for as much of the world economy as possible. Such a pricing system encourages support to all green technologies in general, but no green technology in particular. For instance all green energy production gains a competitive advantage against the heavily carbon priced traditional fossil fuels;
- the global emissions covered by a carbon price has increased from 5% in 2010 to 15% - soon to reach 20%;
- the December 2020 decision of the European Council endorsing a new 2030 target for emission reduction. EU leaders agreed on a binding EU target for a net domestic decrease of at least 55% in greenhouse gas emissions by 2030 compared to 1990.

Notes that:

- in December 2019, EU leaders approved the objective of attaining a climate-neutral EU by 2050;
- the share of allowances to be auctioned will be 57%.

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Regrets that:

- the ETS only covers about half of the economy – whereas reduction targets are set for the non-trading sector in the Effort Sharing Regulation.

Welcomes:

- the cap on the total volume of emissions will be reduced annually by 2.2% (linear reduction factor), but realises that the decrease must be faster to reach the 2030 reduction target and net zero on time.

Acknowledges that:

- the EU (including its Member states, and their predecessor states) have been leading the way in getting carbon into the atmosphere, therefore we have a responsibility to take the lead in reducing CO2 emissions as well as generating negative emissions by using the bio-CCS Technology or Direct Air Capture;
- a sufficiently high carbon price for all the economy is required to lower emissions and the reduction path for the number of available ETS certificates must be such that the price incentives for economic actors are set for greening our economy. A carbon border adjustment mechanism could be a useful and adequate regulatory complement to a carbon tax to avoid the undermining of European goals by importing emissions from abroad;
- the sad truth, that the promises given under the Paris Climate accord are not nearly enough to achieve the no more than 2 degrees warming since the beginning of industrialisation "decided" in the same accord;
- net zero emissions does not mean no emissions, but that all emissions must be balanced by equal amounts of carbon sequestration.

Calls for:

- the European Commission to set up an expert panel to provide independent advice regarding additional sectors of the economy that could be included in the ETS, and the potential impacts on the sectors and wider economy;
- the EU ETS to include an opt-in mechanism for third countries;
- ensuring a smooth transition to EU's carbon neutral economy by 2050, as envisaged by the European Commission in its strategic plan "A Clean Planet for All". We insist on a firm commitment and immediate practical steps to reducing EU's greenhouse emissions by 55% by 2030 and reaching net-zero emissions by 2050;
- all liberal parties and ALDE to reject conservative business as usual rejection of acting on the climate, and to reject socialist

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micromanagement of the economy under cover of saving the climate – but follow the liberal way: of democratically deciding the size of allowed emissions, but letting the market, that is the collective wisdom of companies, workers and consumers, find the best way to do that;

- more structural support in finding innovative energy solutions and ensuring that the European energy supply is steadier and more affordable, as means to boosting the competitiveness of industrial start-ups;
- the EU to auction off all quotas until we reach net zero, making the reductions as efficient as possible;
- the EU to maintain a market place for carbon emissions also after 2050 in order to reach negative emissions;
- an EU-wide policy to encourage and invest in the development of new buildings and the improvement of old buildings with the lowest carbon footprint possible.

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