EU Lawmakers Veto Tighter Cap-And-Trade System

Juergen Baetz, Associated Press

BRUSSELS (AP) — European lawmakers dealt a blow to one of Europe's flagship policies on fighting climate change when they voted Tuesday against tightening the bloc's system of making companies pay for pollution.

The European Union cap-and-trade system — the world's biggest — was introduced in 2005 in the hope of encouraging industries to reduce emissions and invest in greener technologies.

The system is designed to limit the carbon dioxide emissions of power plants and big factories in the EU by issuing permits for each ton of carbon they can emit. Companies can trade these certificates, providing an incentive to cut emissions. Over time, the number of allowances will be lowered, thus cutting overall emissions in the EU. Carbon dioxide emissions are blamed for fostering global warming.

However the system is currently not working [1] because the prices for licenses have dropped amid lower-than-expected demand, languishing at around 5 euros ($6.5) per ton.

The EU Commission, the 27-nation bloc's executive arm, had proposed tightening the supply of allowances by delaying the auction of 900 million additional pollution licenses — a move that would have increased the price of those already in the market.

However, the European Parliament meeting in Strasbourg, rejected the proposal, flooding the market with the 900 million licenses.

The outcome of the plenary vote in the European Parliament was uncertain until the last minute. But the Commission's proposal looked less likely to succeed last week when the EPP said it was against the move as it would force rising costs on businesses at a time of economic crisis.

"It is right not to interfere with a market-based trading system," said Herbert Reul, conservative lawmaker and member of the parliament's main center-right bloc, the European People Party's caucus. "The European industry needs a reliable framework."

The Commission deplored the lawmaker's move.

"Europe needs a robust carbon market to meet our climate targets and spur innovation," EU Climate Commissioner Connie Hedegaard told lawmakers.

Proponents of the system have said failing to reform the system means it is bound to sink into irrelevance, hurting the prospects of similar initiatives in other industrialized countries.

"With today's decision, the European Parliament missed the opportunity to strengthen the emission trading system," said Hildegard Mueller, the head of the German utilities lobby group. The one-time measure to reduce the number of allowances would have helped to stabilize the prices, "if at a low level," she said.

Also Tuesday, lawmakers backed a proposal to freeze charges on carbon emissions for intercontinental flights, in a move that helps prevent a global trade dispute.

This means all flights travelling to or from countries outside the European Union are excluded from a carbon tax for a year pending an international agreement in negotiations at the International Civil Aviation Organization.

Airlines [2]operating within the EU must buy pollution permits, but the planned inclusion of foreign airlines flying into or out of the 27-nation bloc drew criticism from the United States and China.

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