

Emissions in Europe's carbon market reach 2020 target six years early

EU figures published today show domestic greenhouse gas emissions in Europe's emissions trading scheme fell by 4.9% taking them below their official climate target for 2020.²

Europe's economy-wide climate target is to cut its emissions 20% below 1990 levels by 2020, with two thirds of the required emissions cuts expected in facilities policed by the EU Emissions Trading Scheme (ETS). Today's data indicates that 2014 ETS emissions have fallen to 1,814 million tonnes³ diving below the 1,816 million tonne target⁴ six years ahead of schedule. Emissions fell 4.9% fall in emissions year on year despite GDP rising by 1.3% in real terms.⁵

Power and heat emissions fell by 7.8% year-on-year, which was accelerated by unusually warm weather last year. However, underlying trends indicate that ETS emissions will continue to fall aggressively over the years ahead, principally driven by a fall in electricity consumption and a rise in renewable generation.

EU electricity consumption fell by 2.8% in 2014, according to preliminary data from ENTSO-E. But this fall is not just down to weather: some countries also publish official weather-corrected data, and underlying weather-corrected electricity consumption fell in every country we found data for (see table). That confirms Sandbag's projection⁶ that EU electricity consumption will fall by 10% this decade.

<i>Electricity consumption change</i>	2014 actual	2014 weather-corrected	Source
UK	-4.3%	-3.1%	DECC (table 1.3c)
Italy	-3.0%	-2.1%	Terna
France	-6%	-0.4%	RTE
Spain	-1.2%	-0.2%	REE
Germany	-3.5%	< -1.8%	AGEB ; Sandbag estimate

Moreover, industrial emissions dropped by -0.4% in 2014 despite an 0.8% increase in industrial production.⁷ Today's data release corroborates our projection that surpluses allowances in Europe's carbon market will reach 4.4 billion by 2020.⁸

¹ Sandbag is a UK-based not-for-profit think tank conducting research and campaigning for environmentally effective climate policies. Our research focus includes reform of the EU Emissions Trading Scheme, the EU 2020 and 2030 climate & energy packages, Carbon Capture Storage & Utilisation, and the persistence of old coal in Europe. The International Centre for Climate Governance ranks us in the top twenty global climate think tanks. For more information visit our website at www.sandbag.org.uk or email us at info@sandbag.org.uk

² For the installations that are yet to publish their emissions data (representing 10.4% of 2013 emissions), Sandbag has assumed that electricity generators have cut their emissions by 8% from 2013 levels, and that all other installations have kept their emissions constant at 2013 levels. We assume an 8% fall in power sector emissions based on fall in fossil generation reported in ENTSO-E. See <http://sandbag.org.uk/blog/2015/jan/14/eu-power-emissions-fell-more-8-2014/>

³ 2014 emissions are exactly in line with the forecast that Sandbag provided to Carbon Pulse last week <http://carbon-pulse.com/poll-eu-ets-emissions-fell-5-5-in-2014-say-analysts/>

⁴ The ETS cap for 2013 was set at 2,084,301,856 tonnes and declines by 38,264,246 a year. See http://ec.europa.eu/clima/policies/ets/cap/index_en.htm

⁵ GDP data from Eurostat

<http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tec00115&plugin=1>

⁶ See our October-2014 report "2020 Surplus Projection"

http://www.sandbag.org.uk/site_media/pdfs/reports/Briefing-2020surplusprojection.pdf

⁷ Eurostat

If emission reductions continue to fall at this pace, the proposed reforms to the market currently under discussion in Brussels will struggle to keep up with new surpluses, and the market could remain oversupplied by around 2 billion allowances almost indefinitely, even under the most ambitious options being discussed. Carbon prices would remain low and the ETS would remain only a marginal driver of EU emissions reductions. This underlines the need for strong interventions and frequent reviews.

Damien Morris Sandbag's Head of Policy comments:

“Even as the EU economy recovers greenhouse gases are falling fast. Policymakers can therefore safely adopt more ambitious climate policies without fear of triggering high carbon prices. In the months ahead lawmakers must reach an agreement to reform the EU's flagship climate policy – the Emissions Trading Scheme – or see it slide into ever increasing irrelevance.”

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Notes to Editors

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⁸ See our March 2015 briefing “The Eternal Surplus” for details:
http://www.sandbag.org.uk/site_media/pdfs/reports/The_Eternal_Surplus.pdf