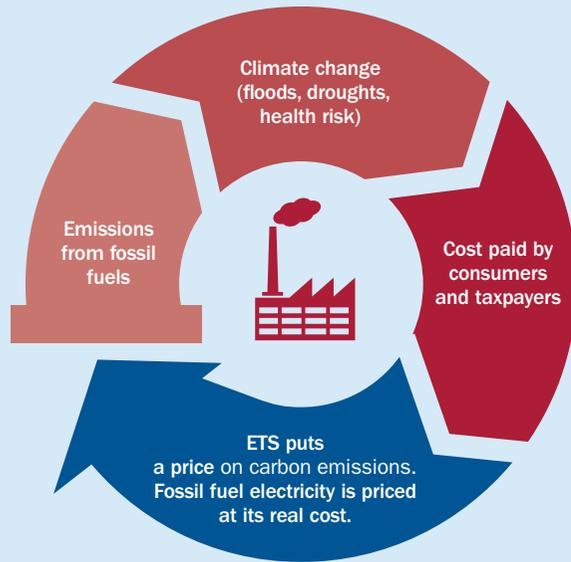




# FIX THE EMISSIONS TRADING SYSTEM

## The patient - the ETS

Emissions from fossil fuel power plants and heavy industry cause climate change. The Emissions Trading System (ETS) puts a price on carbon emissions and prices fossil fuel electricity at its real cost.



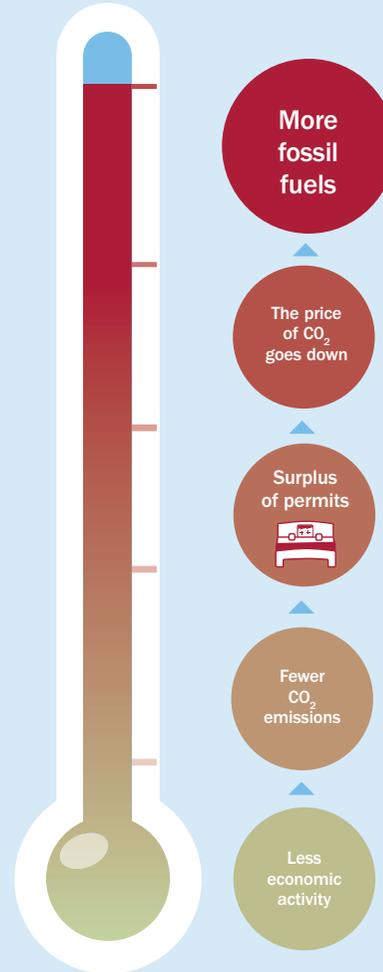
### How does the ETS work?

The **cap** sets a limit on the total amount of carbon that can be emitted by the power and industrial plants in the system; the cap goes down over time. Permits are received for free or auctioned.

Companies can **trade** permits to emit carbon with one another. If a company reduces its emissions, it can keep the spare permits to cover its future needs or sell them to another company.

## The illness - surplus permits

The economic crisis has undermined the ETS by bringing about a surplus of emissions permits. How?



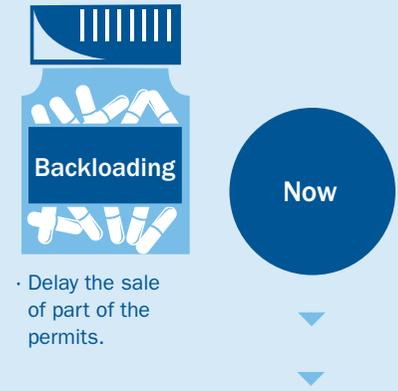
### Why backloading?

Backloading means postponing the auctioning of 900 million permits out of the 2,000 million surplus. Fewer permits being available should push the carbon price back up. Alongside a binding renewables targets, a higher carbon price can help push investments in renewable sectors like wind energy that are creating jobs (248,000 EU jobs in 2011).

Backloading is a push for both climate action and economic growth.

## The treatment - backloading

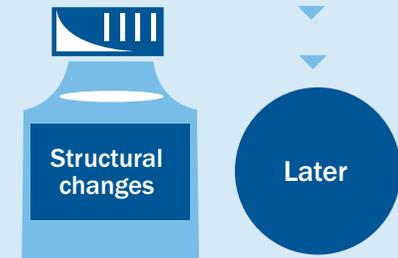
A short-term lowering of the supply of permits is needed to save the carbon market.



- Delay the sale of part of the permits.

## The cure - structural measures

Only a long-term reduction of the supply of permits will cure the flooded ETS market.



- Remove all surplus emissions permits.
- Adopt ambitious 2030 emissions reduction and renewables targets to create a stable investment framework and a structurally sound Emissions Trading System.



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