# Europeâ€™s ETS rewards big polluters

by Simon Butler
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Europeâ€™s biggest polluters have made billions out of the European Emissions Trading System (ETS). But a new briefing by Carbon Trade Watch (CTW) says the scheme will ensure industry will not have to cut its emissions until at least 2017.

The ETS sets a cap, or upper limit, on total emissions for 11,000 power stations and industrial plants in 30 European countries. Each company receives permits to pollute, which can be traded with other companies.

In theory, the cap is lowered over time and the permits become more expensive â€" thus giving industry a reason to switch to low pollution technologies.

In practice, the ETS cap has been set higher than the total emissions. That is, the cap hasnâ€™t capped anything and the permit price has stayed low. On top of this, billions of euros worth of free permits have been handed out to the biggest polluters.

The first phase of the ETS ran from 2005 to 2007. It made no dent in emissions. But power companies made about 19 billion euros by charging customers for the â€œcostâ€• of permits they were given for free.

Manufacturers made about 14 billion euros in windfall profits with the same trick.

The European Commission said the schemeâ€™s problems would be ironed out in the second phase, from 2008 to 2012. It claimed the ETS was working when emissions from the 11,000 polluters covered by the scheme fell by 5% in 2008 and 11.6% in 2009.

But CTW points out the emissions fall was due to the impact of the global recession, which caused a fall of 13.85% in industrial and electricity production in 2009.

In 2010, as the economic crisis eased, emissions shot up again by 3.5%.

The polluters stand to make more money for doing nothing in the ETSâ€™s second phase. By 2012, power companies will make between 23 billion and 71 billion euros from passing on the cost of their free permits.

The third phase of the ETS, which will run from 2013 to 2020, wonâ€™t solve the problems. Companies will still be able to use the excess permits given out in the second phase. The World Bank has estimated about 970 million permits will be available.

This means polluters wonâ€™t have to cut their own emissions until 2017 â€" they can just cash in their free permits instead.

â€œPut simply,â€• said the briefing, â€œthe third phase of the ETS will continue the same basic pattern of subsidising polluters helping them avoid meaningful action to reduce greenhouse gas emissions.â€•

Supporters of Europeâ€™s ETS have promised the third phase will be an improvement. But CTW says the problem lies with emissions trading itself, which â€œdelay[s] making the structural change necessary to address climate changeâ€•.

The briefing concluded: â€œSome proponents of the ETS suggest that the main flaws are rules that have been designed inadequately or have been badly applied. [This briefing] has shown that the ETS is at the mercy of a complex interaction of state and corporate power.

â€œThose with the loudest voices have successfully pushed for rules that allow them to escape their responsibility to change industrial practices and the means of power production domestically â€¦

â€œIt is a fundamentally flawed system, setting up a system of property rights for continued pollution, and transposing environmental objectives into the kind of cost-benefit trade-offs that led to the problem in the first place.â€•

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