



VIEEW on EU ETS 2050: In search of efficient milestones on the road to 2050 – impact on the economy

Warsaw, 25 October 2024

#LIFEVIEEW2050

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Project entitled „The impact assessment of the EU Emission Trading System with the long-term vision for a climate neutral economy by 2050 (LIFE VIEEW 2050 – LIFE19 GIC/PL/001205)” is co-funded by the Life Programme of the European Union and the National Fund for Environmental Protection and Water Management.

New challenges in the EU climate policy

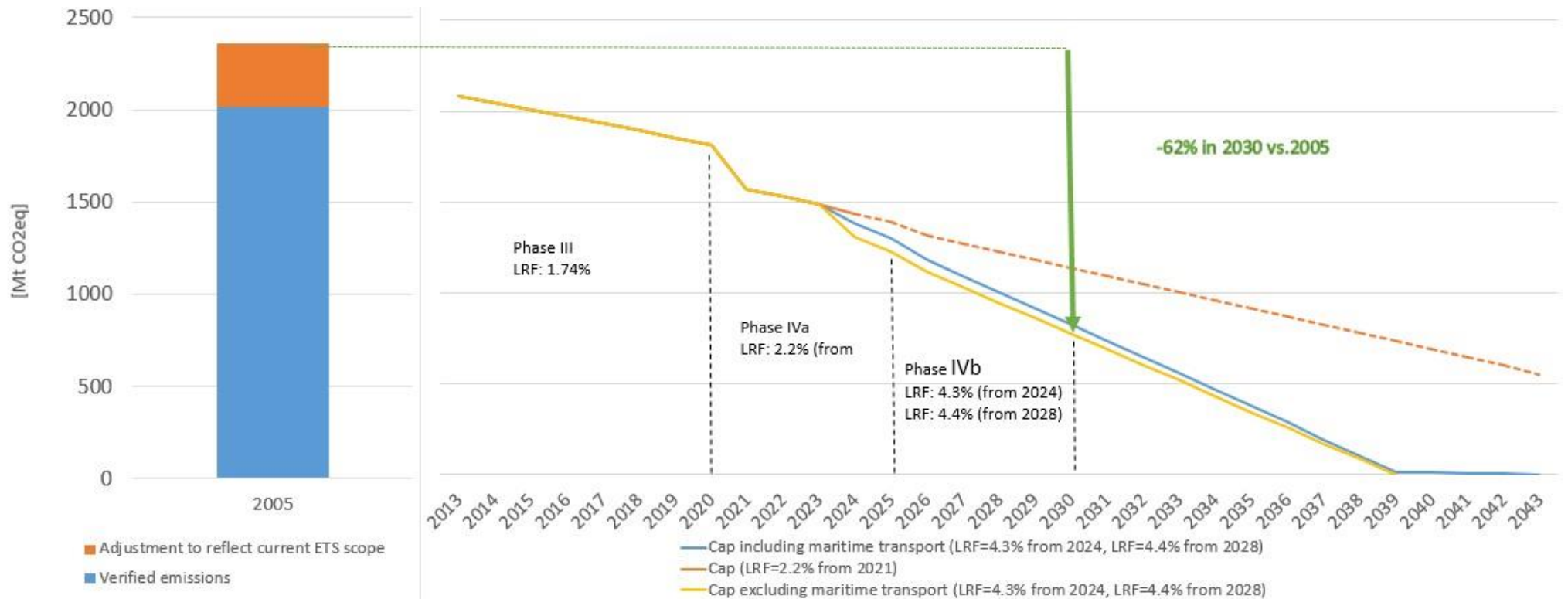
- ❖ European Scientific Advisory Board on Climate Change indicated a **90%-95%** net reduction target for 2040.
- ❖ In June 2023, the European Commission concluded public consultations on EU climate action – **average target for 2040 was approx. 77% net emission reduction.**
- ❖ In February 2024, the European Commission presented its assessment for a 2040 EU climate target.



**Commission proposed
net GHG emissions reduction target
of 90% reduction by 2040**

Current perspectives for the EU ETS

- ❖ **The EU ETS will run out of allowances by approx. 2040.** The problem with remaining emissions, known as “residual emissions” will need to be addressed in some way.

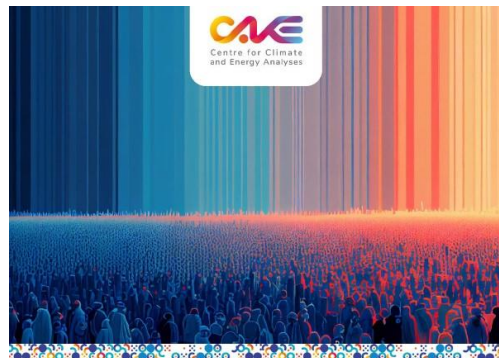


Source: CAKE/KOBiZE

Next step for EU ETS: Beyond 2030

- ❖ To ensure that the EU ETS continues to play a pivotal role in the EU climate policy, **further reforms are necessary**. Potential reforms include:

Expanding the system to new sectors

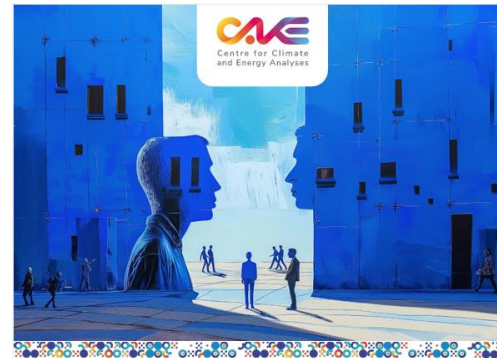


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CHANGING THE SCOPE OF THE EU EMISSIONS TRADING SYSTEM

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Including carbon dioxide removal (CDR)



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EXPLORING SYNERGIES BETWEEN THE EU ETS AND OTHER EU CLIMATE POLICY MEASURES - CARBON REMOVAL, HYDROGEN, AND SECTORAL TRANSPORT POLICY

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Linking EU ETS with other systems and used of international credits



CAKE's Impact Assessment

Expanding the EU ETS to new sectors

- ❖ **Regional variation in the impacts of the EU ETS extension:** The inclusion of the building and transport sectors in the EU ETS brings benefits at the EU level.
- ❖ **Carbon price differences between ETS systems:** ETS2 emission prices rise after the 2030s, favoring regions with allowance surpluses. Merging the systems worsens their position.
- ❖ **Impacts of including agriculture in the EU ETS:** Food prices rise, agricultural production drops, and exports decline.

Including carbon dioxide removal (CDR)

- ❖ **CDR used in EU ETS increase the CAP:** allowing sectors with high abatement costs to purchase additional units instead of investing resources in costly decarbonisation options.
- ❖ **Significant reductions in carbon prices, GDP, and consumption growth:** Drop in the EU ETS price and at the macroeconomic level, increases EU consumption by 0.9% in 2040 and 1.9% in 2050. Positive impact on GDP (by 0.6% in 2040 and 2050). In Poland, consumption in 2040 is 1.1% higher and in 2050, the difference in consumption increases to 3.8%.

Linking EU ETS with other systems and used of international credits

- ❖ **ETS linking should be beneficial for all parties at the macroeconomic level (not only for EU):** countries facing increase in carbon prices after ETS linking typically experience sectoral output and GDP losses but consumption increases due to carbon permits sales.
- ❖ In specific cases, terms of trade deterioration can outweigh the benefits.



LIFE VII EW 2050



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Thank you!

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