

The Government has responded to the Energy and Climate Change Committee's 'Report on the EU Emissions Trading System'.

The Energy and Climate Change Committee Report on EU ETS, published on 26 January 2012, is available online:

<http://www.publications.parliament.uk/pa/cm201012/cmselect/cmenergy/1476/147602.htm>

The Government's response, published 26 April 2012, is now available online:

<http://www.publications.parliament.uk/pa/cm201012/cmselect/cmenergy/1870/1870.pdf>

The Government's response to the Committee's recommendations includes the following key points:

- The Government believes the EU should **move to a 30% emissions reduction target by 2020 at the earliest opportunity** - to achieve this in a cost-effective way there needs to be a tightening of the EU ETS target and the target for non-traded sectors (p.2).
- The Government is encouraging the European Commission to **develop a 'set-aside approach' to deliver a tighter EU ETS cap** (p.2).
- Ring-fencing EU ETS allowances as part of a set aside of allowances **would limit the effectiveness of any set aside** (p.3).
- The Government has agreed to **review the level of the fourth carbon budget in 2014** to reflect developments in the EU (p.3).
- The Government **supports the European Commission's 2050 low carbon roadmap** (p.3).
- The Government is **committed to promoting market-based instruments** to reduce emissions globally (p.5).
- The Government is focussing on three activities to promote emissions trading schemes: **UK-China low carbon memorandum of understanding**, assistance to **India in the launch of an energy efficiency trading scheme**, and contribution to the **World Bank Partnership for Market Readiness** (p.6).
- The Government agrees that that progress should be made towards **linked emissions trading systems** - however, there remains a need to ensure any system linked to EU ETS has similar ambition and rules (p.7).
- The Government believes that **proportionate free allocation of EU ETS allowances gives relief to sectors at significant risk of carbon leakage**, without raising barriers to international trade (p.9).
- The Government opposes use of **Border Adjustment Measures (BAMs)** (p.9).
- The Government believes **auctioning of carbon allowances** represents the most effective means of allocation (p.10).
- The Government will **seek an agreement in the UNFCCC negotiations for an overarching framework** of rules for future international credits and trading (p.11).