



European
University
Institute

ROBERT
SCHUMAN
CENTRE FOR
ADVANCED
STUDIES

FSR CLIMATE
Florence School of Regulation



EAERE
European Association
of Environmental and
Resource Economists

**FSR Climate and EAERE side-event at the
2019 STATE OF THE UNION–21ST Century Democracy in Europe
2 May 2019
European University Institute, Florence**

Title: Trust in the Single Market? The case of the EU Emissions Trading System

Chairing: Simone Borghesi, Director, FSR Climate, EUI; **Jos Delbeke**, School of Transnational Governance, EUI

Time: 11.30-13.00

Location: Sala Europa, Villa Schifanoia, European University Institute, via Boccaccio 121, Florence

Concept

Carbon pricing is widely regarded as a key instrument to achieve the emission reduction targets set by the Paris Agreement. Since the introduction of the European Emission Trading System (EU ETS) in 2005, carbon pricing has grown extensively around the world. The EU ETS is the result of a complex legislative process involving the governments of 31 participating countries, thus providing one of the most interesting examples of democratic participation of EU countries to the design of a EU crucial policy and to the creation of a single market in the EU. Indeed, the EU ETS is a trans-boundary policy instrument: all entities subject to the EU ETS can trade emission allowances among themselves, no matter where they are located.

Since its beginning, the EU ETS has gone through several challenges, including a remarkable price fall with allowance prices getting below 5€/ton of CO₂ during the economic recession. This has led the European institutions to implement some



major revisions in the design of the system to address the problems that emerged during the functioning of this mechanism. In particular, after years of low carbon prices, in which trust in the EU ETS was low, the price of the European allowances has risen remarkably after the announcement of the reform of the EU ETS for Phase IV (2021-2030), which was passed in 2018. This confirms the crucial role expectations can play in anticipating the policy when the latter is perceived as sufficient stringent, credible and long-run.

This raises the questions that we would like to address in the session, namely:

- (i) What is the current level of trust by participants and the public opinion in the EU ETS?
- (ii) What can be done to further support the credibility of the system and enhance trust in the single market in the context of climate policy?
- (iii) How can transparency and MRV (Measurement, reporting and verification) contribute to build trust in climate policy measures in general, and in the EU ETS in particular?
- (iv) How can we trigger mutual trust across countries and facilitate the ongoing negotiations on CORSIA and on Article 6 in the Paris Agreement?
- (v) How can scholars and research better bridge with Policy Makers to enhance trust in Climate Policy measures?

FSR Climate, together with the Policy Outreach Committee of EAERE (European Association of Environmental and Resource Economists), and in collaboration with the School of Transnational Governance of the EUI, organises this session to promote a more integrated dialogue between academia and policy world, providing advice and support to EU policy makers and institutions in designing policy interventions.



European
University
Institute

ROBERT
SCHUMAN
CENTRE FOR
ADVANCED
STUDIES

FSR CLIMATE
Florence School of Regulation



EAERE
European Association
of Environmental and
Resource Economists

The event intends to continue the policy dialogue carried out by FSR Climate under the LIFE SIDE project (co-funded by the LIFE Programme of the European Union) concluded at the end of 2018, which supported European policy makers with the design and implementation of the new EU ETS legislation. The event is intended to address an audience of high-level policy makers, stakeholders and scholars such as those attending the SoU.

Format

Short presentations from the invited speakers followed by a roundtable with views from experts in the field and questions and interventions from the audience to enable an interactive debate among participants.

Invited speakers

Carlo Carraro, Professor (University of Venice), President European Association of Environmental and Resource Economists and Vice-Chair of IPCC Working Group III

Ottmar Edenhofer, Director and Chief Economist, Potsdam Institute for Climate Impact Research, Director, Mercator Research Institute on Global Commons and Climate Change, Professor, Technische Universität Berlin

Hermann Vollebergh, Professor of Economics and Environmental Policy, Tilburg University, and Senior Research Fellow, PBL Netherlands Environmental Assessment Agency

Martin Weitzman, Professor of Economics, Harvard University Center for the Environment



European
University
Institute

ROBERT
SCHUMAN
CENTRE FOR
ADVANCED
STUDIES

FSR CLIMATE
Florence School of Regulation



EAERE
European Association
of Environmental and
Resource Economists

Roundtable

Views from:

Dominique Bureau, General Delegate of the Economic council for sustainable development, Ministry of Ecology, Sustainable Development and Energy, France

Ben Groom, Grantham Research Institute on Climate Change and the Environment, London School of Economics, London, UK

Xavier Labandeira, Director of Economics for Energy, Spain, and Department of Applied Economics, University of Vigo, Spain

Aldo Ravazzi, Chair OECD-WPEP (Working Party on Environmental Performance Country Reviews), President Green Budget Europe, and Chief Economist, DG Sustainable Development, EU&Global Affairs - TA Sogesid, Italian Ministry of Environment