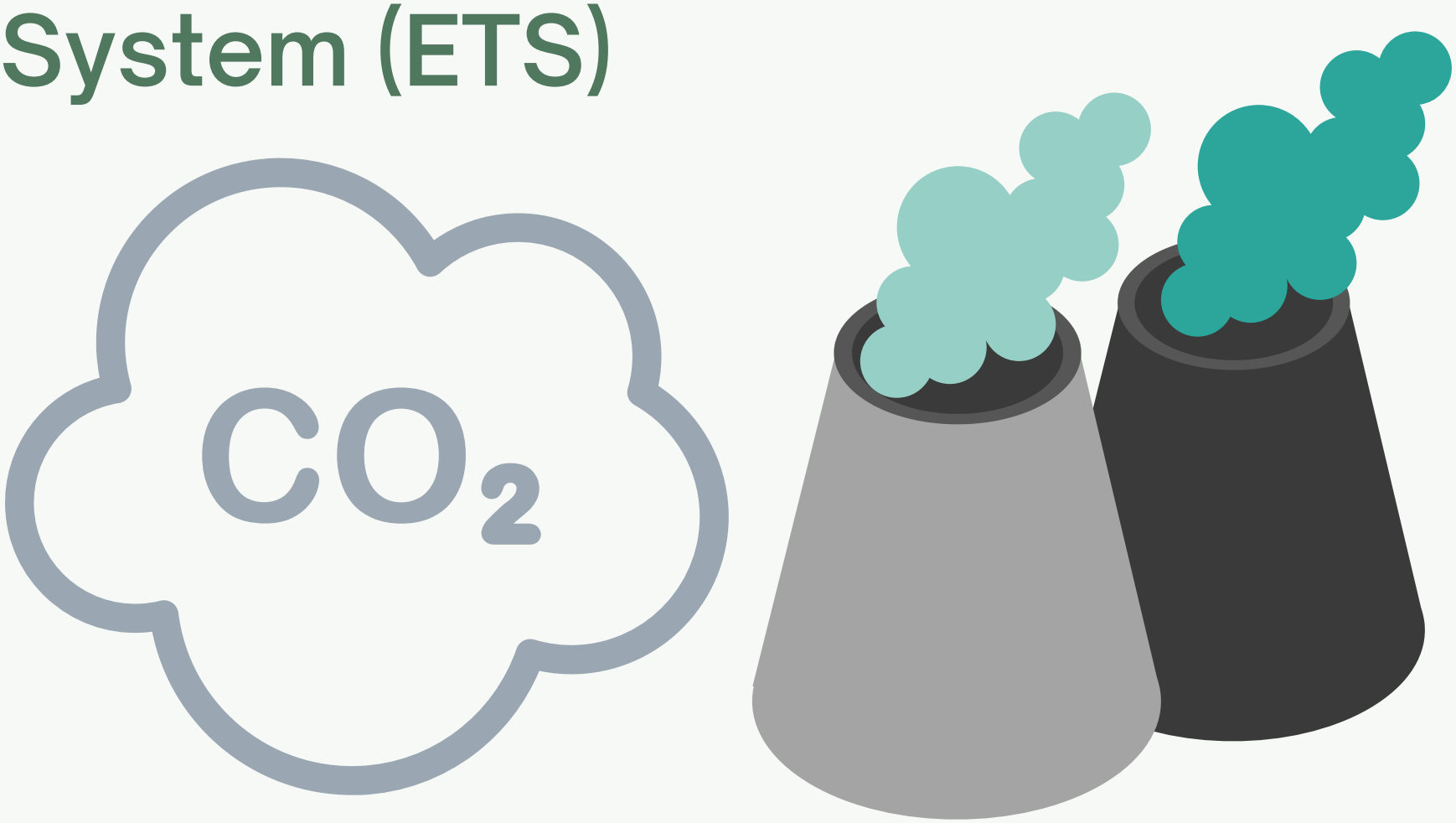
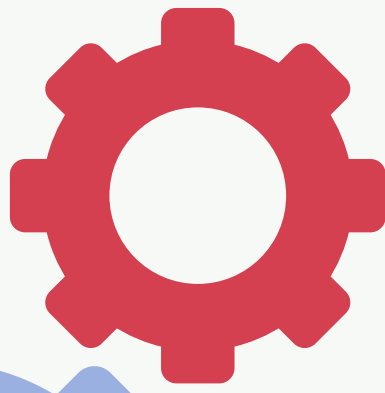
GTL Project

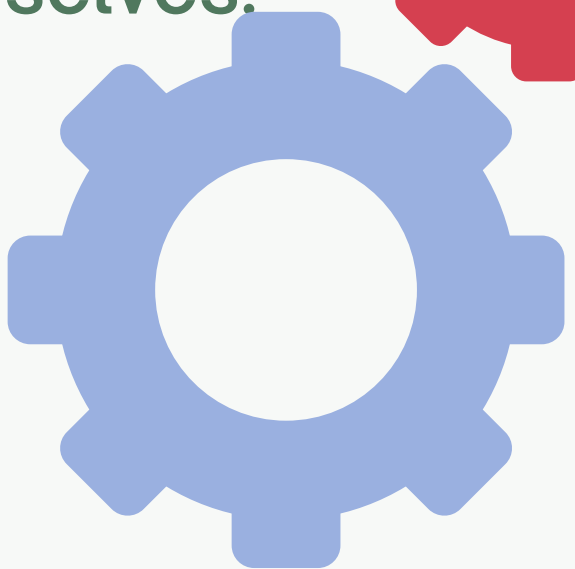
GreenTecLab

The Emission Trade System (ETS)

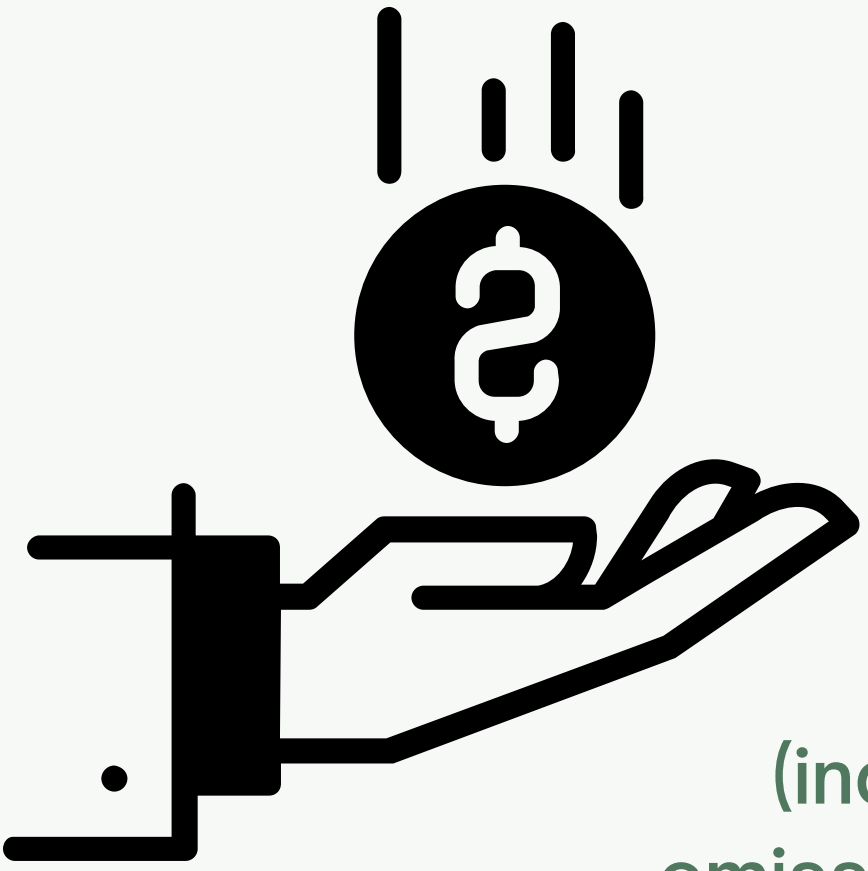


An emissions trading system, known as emissions trading scheme and abbreviated as ETS, is a market mechanism that allows those bodies (such as countries, companies or manufacturing plants) which emit (release) greenhouse gases into the atmosphere, to buy and sell these emissions (as permits or allowances) amongst themselves.

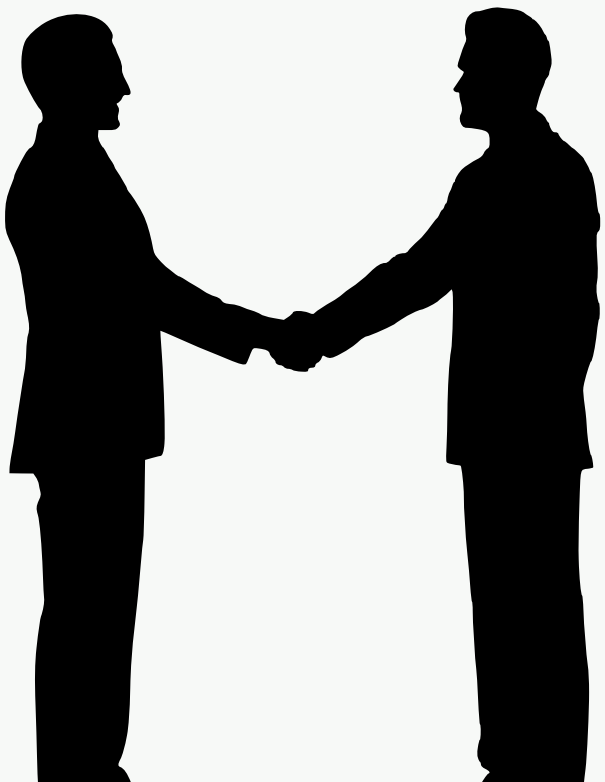




The EU ETS works on the 'cap and trade' principle. A cap is set on the total amount of certain greenhouse gases that can be emitted by the installations covered by the system. The cap is reduced over time so that total emissions fall.



Within the cap, installations (industry plants) buy or receive emissions allowances, which they can trade with one another as needed. The limit on the total number of allowances available ensures that they have a value.



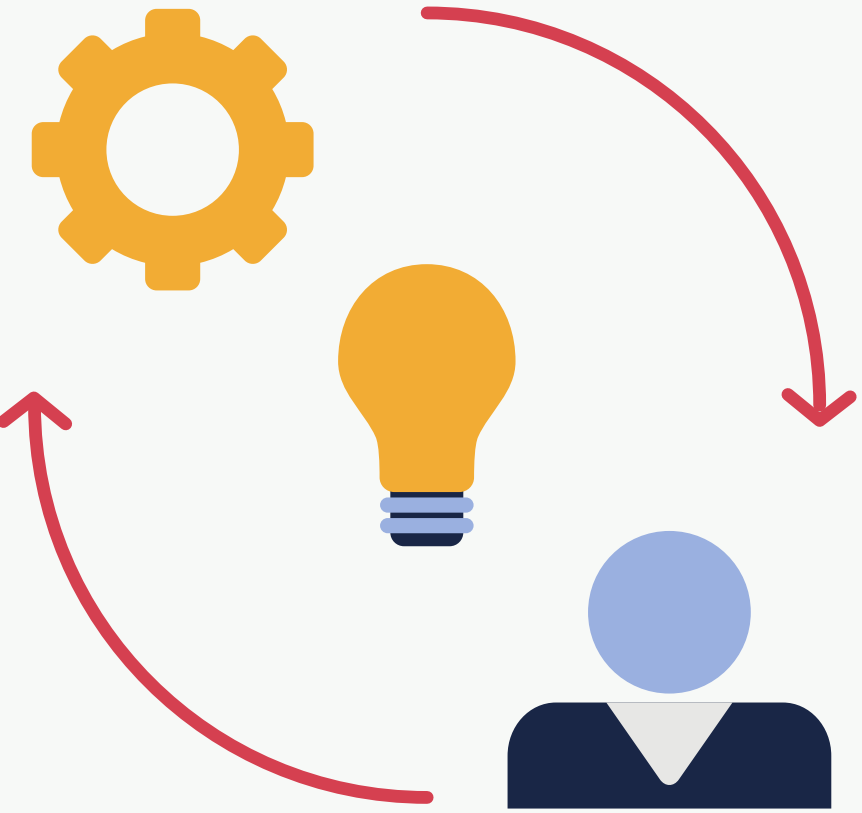
After each year, an installation must surrender enough allowances to cover fully its emissions, otherwise heavy fines are imposed. If an installation reduces its emissions, it can keep the spare allowances to cover its future needs or else sell them to another installation that is short of allowances.

The EU ETS is the first international trading system for carbon dioxide emissions in the world and applies not only to the EU Member States but also to the other three members of the European Economic Area – Norway, Iceland and Liechtenstein.

It covers over 11 000 heavy energy-using installations (power stations & industrial plants) and airlines operating between these countries, which are collectively responsible for close to half of the EU's emissions of CO2 and 45 % of its total greenhouse gas emissions.

The EU ETS has proven to be an effective tool in driving emissions reductions cost-effectively.

Installations covered by the ETS reduced emissions by about 35% between 2005 and 2019.



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- https://ec.europa.eu/clima/policies/ets_en
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