

# European Union approves carbon market scheme

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**In news**— EU countries have given the final approval to the biggest revamp to date of Europe's carbon market, which is set to make it more costly to pollute and sharpen the 27-member bloc's main tool for cutting carbon dioxide emissions.

## **Key features of the scheme-**

- The law crystallises an ambitious EU plan to reform Europe's carbon market by **broadening an emissions trading scheme** to more industries and lowering quotas of allowable polluting gases.
- Under this legislation, European Union carbon emissions would be reduced by 62 percent by 2030, compared to levels in 2005, a big step up from a previous target of a 43 percent cut.
- The world's first major carbon trading system has since 2005 forced power plants and factories to buy permits when they emit CO<sub>2</sub>, and has cut emissions from those sectors by 43%.
- While still intent on pursuing its green transition, **it will levy the carbon tax on imports** to ensure its industries are not undercut by companies outside the bloc not facing the same costs.
- **Technically called an "adjustment", not a tax**, this measure requires importers into the EU whose products exceed the bloc's carbon norms to buy an **"emission certificate"**.
- Initially oriented towards the most polluting sectors – producers of steel, aluminium, cement, fertiliser and electricity – MEPs also added hydrogen suppliers, and EU is looking at expanding the list to makers of organic chemicals and polymers.

- The money raised, as much as 14 billion euros a year, will feed into the EU budget.
- **The carbon tax is to start out in pilot form in October 2023** before being broadened between 2026 and 2034 as emission quotas for European industrials are phased out.
- One of the other measures voted by the European Parliament in was the **opening of a second carbon trading market**, this one for the heating of buildings and on fuel for trucks.
- To ensure that Europeans aren't faced with excessively high heating bills after the trading scheme starts in 2027, the **law sets a price ceiling of 45 euros per tonne until 2030**. If current spikes in energy prices continue, the start of the measure will be pushed back a year.

**Note:**

- **The 27 EU countries are collectively the third biggest global emitter of carbon dioxide.**
- **The biggest by far is China**, which is greatly expanding its fleet of coal-fired power plants despite a vow to have carbon emissions peak by 2030 then reduced to net zero by 2060.
- **Then comes the United States**, historically the biggest carbon-gas emitter, which has a long-term strategy of reaching net zero by 2050.
- US President Joe Biden has brought in a \$370-billion Inflation Reduction Act providing hefty subsidies for US industry to drive the push for a greener America.