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 CO2, 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.