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E21016-TEK

Climate Action

# **Further information on the start of phase 4 of the EU ETS in 2021: emission allowances to be issued for aircraft operators and the Market Stability Reserve**



[<https://ec.europa.eu/clima/sites/clima/files/img/news/92963839web.jpg>]

11/12/2020

**The Commission has adopted a Notice providing further details on the quantity of allowances to be issued in respect of aircraft operators in 2021 in the absence of an agreement with the UK, and on the Market Stability Reserve.**

On 17 November 2020 the Commission informed the market

[[https://ec.europa.eu/clima/news/start-phase-4-eu-ets-2021-adoption-cap-and-start-auctions\\_en](https://ec.europa.eu/clima/news/start-phase-4-eu-ets-2021-adoption-cap-and-start-auctions_en)]

of the adoption of the Commission Decision

[[https://ec.europa.eu/clima/sites/clima/files/news/docs/c\\_2020\\_7704\\_en.pdf](https://ec.europa.eu/clima/sites/clima/files/news/docs/c_2020_7704_en.pdf)].

establishing the Union-wide quantity of general allowances to be issued in 2021 (the 'cap') and the start of auctioning for phase 4 of the EU ETS.

The Commission Notice [[https://eur-lex.europa.eu/legal-content/EN/TXT/?](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:C:2020:428I:TOC)

[uri=OJ:C:2020:428I:TOC](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:C:2020:428I:TOC)] complements the above-mentioned Commission Decision, by providing information:

- on the quantity of allowances to be issued in respect of aircraft operators in 2021 in the absence of an agreement with the UK, and
- on the amounts to be deducted from the auction volumes of the Member States to be placed in the Market Stability Reserve (MSR) from January to August 2021.

The Notice also reiterates the aspects taken into account in the calculation of the cap for 2021 for general allowances, so that the information on the total general and aviation allowances to be issued in 2021 is available in one document.

Regarding aviation, the Notice explains how the calculation of the EU ETS allowances to be issued in respect of aircraft operators in 2021 starts from a bottom-up calculation of the free allocation to aviation. The number of EU ETS aviation allowances to be issued in 2021 is expected to be approximately 24.5 million (some 20.7 million aviation allowances to be issued for free and some 3.8 million aviation allowances to be auctioned) in the absence of an agreement with the UK, as explained in the Notice.

In addition, the Notice clarifies the consequences for the MSR of the application of the ETS Directive to and in the United Kingdom on the basis the Protocol on Ireland/Northern Ireland from 1 January 2021. As explained in the Notice, the total amount of allowances that will be placed in the Market Stability Reserve from 1 September 2020 to 31 August 2021 is 307,663,518 (instead of 332,519,080).

The reduction is due to the large decrease in volumes to be auctioned by the UK from 2021, as these are based on the new auction share for the UK, which is limited to the level of emissions of greenhouse gases from electricity generation in Northern Ireland. To recall, from 2021, the only UK installations to be covered by the EU ETS are those that generate electricity in territory of Northern Ireland, so the Union-wide quantity of allowances to be issued from 2021 [[https://ec.europa.eu/clima/news/start-phase-4-eu-ets-2021-adoption-cap-and-start-auctions\\_en](https://ec.europa.eu/clima/news/start-phase-4-eu-ets-2021-adoption-cap-and-start-auctions_en)]. (the 'cap') was reduced in proportion to the emissions from the UK that are no longer accounted for. The calculation of the total number of allowances in circulation and the corresponding deduction of auction volumes to be placed in the MSR, will be done as usual for the next MSR-period, starting from 1 September 2021.

The amounts to be placed in the MSR will be taken into account in the auction calendars for 2021, which are expected to be published by the auction platform still in December 2020, for the start of auctions in late January / early February 2021.

Read more:

- [Notice on the Union-wide quantity of allowances for 2021 and the Market Stability Reserve under the EU Emissions Trading System \(C\(2020\)8643/1\)](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:C:2020:4281:TOC) [<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:C:2020:4281:TOC>]
- [Market Stability Reserve](https://ec.europa.eu/clima/policies/ets/reform_en) [[https://ec.europa.eu/clima/policies/ets/reform\\_en](https://ec.europa.eu/clima/policies/ets/reform_en)]
- [Communication on the total number of allowances in circulation in 2019 \(C\(2020\)2835\)](https://ec.europa.eu/clima/news/communication-on-the-total-number-of-allowances-in-circulation-in-2019)

[\[https://ec.europa.eu/clima/sites/clima/files/ets/reform/docs/c\\_2020\\_2835\\_en.pdf\]](https://ec.europa.eu/clima/sites/clima/files/ets/reform/docs/c_2020_2835_en.pdf)

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- [Commission Decision on the Union-wide quantity of allowances to be issued under the EU Emissions Trading System for 2021 \(C\(2020\)7704\)](#)

[\[https://ec.europa.eu/clima/sites/clima/files/news/docs/c\\_2020\\_7704\\_en.pdf\]](https://ec.europa.eu/clima/sites/clima/files/news/docs/c_2020_7704_en.pdf)

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- [Regulatory update on the start of Phase 4](#) [\[https://ec.europa.eu/clima/news/start-phase-4-eu-ets-2021-adoption-cap-and-start-auctions\\_en\]](https://ec.europa.eu/clima/news/start-phase-4-eu-ets-2021-adoption-cap-and-start-auctions_en)
- [Allocation to aviation](#) [\[https://ec.europa.eu/clima/policies/ets/allowances/aviation\\_en#tab-0-1\]](https://ec.europa.eu/clima/policies/ets/allowances/aviation_en#tab-0-1)
- [Revision for phase 4 \(2021-2030\)](#) [\[https://ec.europa.eu/clima/policies/ets/revision\\_en\]](https://ec.europa.eu/clima/policies/ets/revision_en)
- [EU ETS auctioning](#) [\[https://ec.europa.eu/clima/policies/ets/auctioning\\_en\]](https://ec.europa.eu/clima/policies/ets/auctioning_en)
- [Website of the auction platform EEX](#) [\[https://www.eex.com/en/markets/environmental-markets/emissions-auctions\]](https://www.eex.com/en/markets/environmental-markets/emissions-auctions)