

LIFEETX LAYMAN'S REPORT

ETXraordinary effort to improve the EU's Emissions Trading System

August 2024



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ABOUT LifeETX

Fossil fuels are the root cause of the climate emergency and the ever warming planet. The need to accelerate sustainable and fair climate action has become even more urgent.

The Emissions Trading Extra (ETX) project sought to inspire the EU's Emissions Trading System (EU ETS) into becoming not only one of the EU's primary tools for reducing greenhouse gas emissions, but also to deliver benefits for citizens and the climate.

Under the auspices of LIFE, the European Commission's funding instrument for the environment and climate change, ETX promoted the international collaboration and participation of civil society in policy making and monitoring to ensure that the ETS benefits people and the climate. Through science based assessments and enhancing capacity-building, ETX empowered civil society to contribute to this technical yet vital policy area.

The ETS is a carbon market that covers around 40% of Europe's greenhouse gas (GHG) emissions. While carbon emissions from the power sector have declined, steel, cement and chemicals sectors have barely decreased over the past decade. ETX worked to tackle this problematic reality and to galvanise the EU's carbon market, which is set to expand to cover new areas in 2026 with the start of the ETS2, into fulfilling its full potential in the transition towards climate neutrality.

LifeETX objectives



Increase civil society's awareness and knowledge of the functioning of the ETS and carbon pricing, and boost its capacity to campaign for better policies and implementation.

Promote the engagement of European citizens and other key stakeholders supporting pan-European and international replication.

Provide a scientific knowledge base to assess the functioning and potential of the ETS for achieving improved 2030 climate targets, as well as the development of carbon pricing policies at the national and European levels.

Main project findings and recommendations

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From its inception in July 2021 to its conclusion in June 2024, the LIFE ETX project aimed to ensure that the EU Emissions Trading System (EU ETS) became an increasingly effective tool for decarbonisation benefitting citizens and the climate.

Through a diverse set of activities, including publishing scientific assessments, delivering capacity-building workshops and creating forums for information sharing and collaboration, LIFE ETX empowered civil society to engage in the reform and to monitor this technical yet extremely important climate policy instrument.

Key achievements, techniques/methodology and assessment of the results benefit and impact



Objective 1: Capacity

Over 60 civil society and non-governmental organisations from 15 countries significantly increased their understanding, knowledge and capacity on the functioning of the EU ETS and carbon pricing, and used it to promote both improvement and implementation of related policies.

Capacity-building activities centred around eight regional and national workshops across Europe, organised (in-person and hybrid) and delivered by consortium members and their partners. Analysis of workshop questionnaires showed that participants greatly improved their capacity to work on EU ETS-related issues.

Capacity was also built through the production and publication of a training toolkit, an accessible collection of materials broken into bitesized modules, found on the LIFE ETX website, and accessed 1,998 times.



Objective 2: Collaboration for change

The LIFE ETX project coordinated policy influence by broadening and enhancing European and international networks with the purpose of collaborating to strengthen the legislative review of the EU ETS and generate increased political support for carbon pricing and related policy levers at European and national levels, including in neighbouring countries.

In the project timespan, six major online 'Carbon Pricing Hub' events and eight internal NGO 'EU ETS Hub' meetings were held, eight informative 'ETS Talks' webinars were hosted, and eight ad-hoc policy check-ins were organised, which inspired productive and influential discussions. Workshops, seminars and EU outreach were conducted by partner NGOs in the Western Balkans and Ukraine, building EU ETS and CBAM capacity in EU neighbouring countries.



Objective 3: Knowledge

The project created a scientific knowledge base that serves as an information resource that will continue to help stakeholders assess: i) the functioning of the EU ETS in EU member states; ii) the potential of the EU ETS to achieve improved 2030 climate targets; and iii) the development of carbon pricing policies at national and European level.

12 studies and briefings were published under the LIFE ETX project and are publicly accessible on the project website, alongside other associated literature. Major reports were presented at project events and all publications were publicised through the project newsletter and social media. The reports were accessed through the website a total of 2,875 times, informing dialogue and ensuring policy positioning that is based on the most up-to-date research.



Objective 4: Communications and transfer

The LIFE ETX consortium communicated project actions and outputs, promoting the engagement of European citizens and key technical target audiences, and supporting pan-European and international replication of fundamental principles. Project activities and outputs were widely shared through 11 newsletters, regular social media posts and on the project website. Supporting this was a successful advocacy campaign run during the EU ETS revision, and a wide-reaching public awareness campaign to show the human side of the ETS. Overall, more than a million EU citizens were reached, and 100,000 interacted with the project by watching videos, engaging with social media or visiting the website.

The rocket campaign

Billions € wasted on free pollution permits for the period 2021-30

€480 bn Commission's proposal

€170 bn full free allocation phase-out

1.5°C



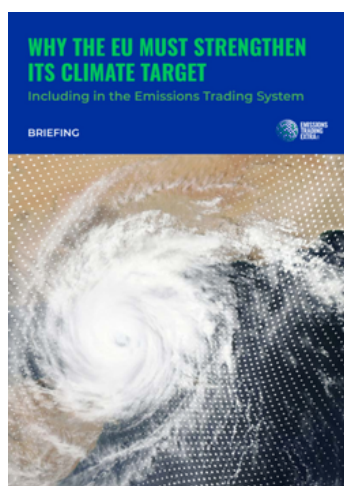
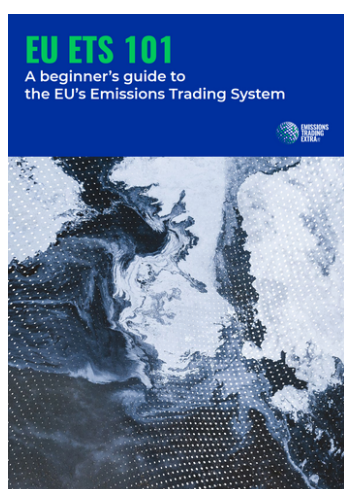
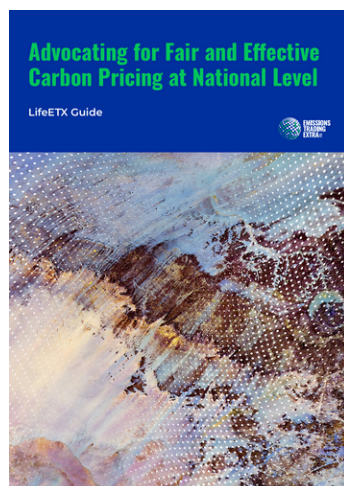
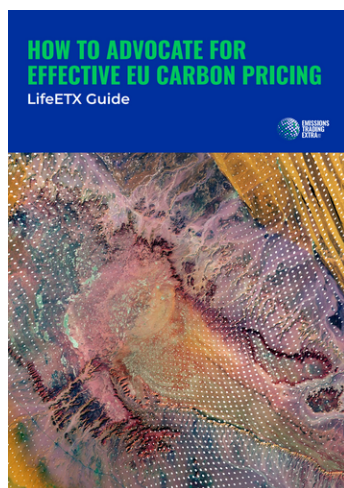
HELP THE EU ETS ROCKET REACH THE PARIS AGREEMENT

END FREE POLLUTION PERMITS
Vote for a 2030 phase-out at the latest



RAISE AMBITION
Support a 70% emissions reduction by 2030





Key publications

LifeETX produced a total of 21 publications ranging from an introductory explanation of how the EU ETS works, to assessing the effectiveness of carbon pricing for climate action at member state and European levels. Among the most viewed are:

- EU ETS 101: A Beginners Guide to the EU's Emissions Trading System
- Advocating for Fair and Effective Carbon Pricing at National Level
- How to Advocate for Effective EU Carbon Pricing
- Model Answers: Studies Reveal EU Must Revamp Emissions Trading System to Live Within its Carbon Budget
- Why the EU Must Strengthen the EU Must Strengthen its Climate Target, Including in the Emissions Trading System
- The Use of Auctioning Revenues from the EU ETS for Climate Action
- Don't Pillage the Market Stability Reserve
- Trilogue Triangulation: Mapping the Positions of the EU Institutions on Carbon Market Reform
- Proliferating Carbon Markets: Can the EU ETS Drive Climate Action Outside of the EU?
- Impacts of the EU Carbon Border Adjustment Mechanism on the Western Balkans and Ukraine: Policy Options for Governments

Key events

LifeETX organised a total of 30 events enabling civil society discussion and deeper understanding of topical EU Emissions Trading System talking points. Highlights include:

- At What Price? The Role of the EU's Emissions Trading System in Combating the Climate Crisis, 25 January 2021
- Conflicting Signals: How the War in Ukraine Affects EU Carbon Prices, 29 March 2022
- National Policies and Industrial Decarbonisation, 1 April 2022
- EU ETS & Carbon Pricing, 13-14 April 2022
- Carbon Pricing: The EU ETS and the Western Balkans, 31 May – 1 June 2022
- Why the European Parliament Failed to Reform the EU's Carbon Market, 20 June 2022
- Santa's Wish List for a Better EU ETS, 8 December 2022
- Bah Humbug! End €ETS Freebies. Make Polluters Pay for a Fair and Clean Transformation, 16 December 2022
- How to Make the EU ETS an Effective Climate Tool, 21 June 2023
- ETS Revenue Use: Maximising Social and Climate Benefit, 28 November 2023
- Going the Extra (Green) Mile: The Role of International Transport in the Climate Transition, 27 October 2022
- Common Good v Private Profit: Making the EU's Emissions Trading System Work for the Many Rather than the Few 23 January 2024
- The Emissions Trading System and Carbon Border Adjustment Mechanism after the EU Elections, 13 June 2024



BUG!

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LIFE CLIMATE ACTION

Climate mitigation and adaptation impacts of the project

Increased ambition of the EU ETS Legislative Review

The LIFE ETX consortium advocated for an ambitious revision of the EU ETS (our policy recommendations would have led to the mitigation of 2.3G tonnes of carbon dioxide over the lifespan of the ETS). These were not adopted, but these positions influenced a more balanced outcome and prevented backsliding. The increased ambition in relation to the scheduled emissions reductions within the ETS and the creation of the ETS2 will mean cleaner air, increased investment into green or low carbon jobs, and more energy efficient buildings. This will mitigate carbon emissions, create climate adapted homes and jobs fit for the just transition.

Increased pressure to phase out free allowances

By raising awareness and calling for an urgent phase out of industry free allowances, LIFE ETX contributed significantly towards increased EU ETS prices that are already encouraging polluters to decarbonise more and increase the pace of climate mitigation. Faster reductions in greenhouse gases will be mostly felt by future generations, so the environmental impact of the project is long-term.

COST-BENEFIT DISCUSSION ON THE RESULTS

Economic and environmental benefits of the project

Reduced the economic, social and planetary cost of carbon

An economic benefit of LIFE ETX is evidenced in the carbon cost avoided as a result of the project pushing for increased climate ambition. As identified within the socio-economic impact assessment, if the recommendations of the LIFE ETX project regarding the ETS revision had been fully implemented, over 2.3Gt of carbon over the lifespan of the ETS would have been avoided, saving an estimated \$462.5 billion in social impacts (at an estimated \$185 per tCO₂). While the ambition of the consortium was not matched by policymakers in the final legislation, the efforts of the consortium did prevent a watering down of climate goals.

Increased support for cost efficient environmental action

The EU has long recognised the economic benefit of the EU ETS in its ability to deliver cost efficient decarbonisation of covered sectors as a market driven mechanism. As one of the impacts of the LIFE ETX project was increased public support for the EU ETS, the LIFE ETX project has paved the way for popular support and understanding of the necessary expansion of the ETS to additional sectors under the ETS2. LIFE ETX championed the potential for carbon pricing to reduce emissions and deliver a double dividend in the form of climate investment facilitated by ETS2 revenue.

Increased pressure for the removal of fossil fuel subsidies

The consortium advocated extensively for the removal of fossil fuel subsidies which create an economic distortion on the market by making renewable energy comparatively more expensive. Increasing awareness of the negative impacts of fossil fuel subsidies has helped to whet political appetite for a commitment to ending fossil fuel subsidies, eventually freeing up increased investment in no carbon energy for the benefit of the economy and people.

Advocated for efficient use of carbon revenue

Life ETX endorsed that the full allocation of auctioning revenues be used for climate action, highlighting that some member states are currently spending less than 50% of it in this way and that most countries were even subsidising fossil fuel programmes with auctioning revenues. Channelling ETS revenue towards climate action and away from fossil fuels has clear economic benefits; more green or low carbon jobs and an investment boost into clean technology.

Increased ability of climate NGOs to advocate for increased ambition

The advocacy knowledge acquired during the duration of the project will prove beneficial to civil society organisations for future campaigns that advocate for increased ambition across varied EU climate and environmental policies. Benefits and value for investment will continue to be experienced far beyond the duration of the project as reports, training materials and briefings will remain available as an online resource.

Humanising the EU ETS



TRANSFERABILITY OF PROJECT RESULTS

Resources availability (short term - 1 year)

The ETX website was developed in collaboration with Latte Creative, and will be hosted online for at least three years. This will ensure that our extensive resource library providing accessible explanations of the ETS framework will remain available to stakeholders and the general public.

Dissemination and update (short term - 1 year)

Carbon Market Watch will continue to promote selected project deliverables including the EU ETS 101 guide, the EU ETS Implementation timeline and the National Advocacy Report.

These deliverables have been the most accessed by visitors to our website (see the “Reach” column of the table). CMW will disseminate these reports through social media and advocacy activities such as public presentations, events, workshops, and capacity building activities with other stakeholders.

EU ETS Hub (short term - 1 year)

The EU ETS Hub has proven an essential tool to keep NGOs at European and national level informed and engaged with the latest updates of ETS-related policymaking. Bi-monthly meetings will restart in September 2024.

Thanks to presentations from CMW, partner NGOs, and external experts, that aim to generate discussion points and co-creation opportunities will extend engagement reached during the timeframe of the ETX and nudge other NGOs to influence upcoming relevant policy making processes, such as the 2040 climate targets.

KPI update (long term - up to 3 years)

Ongoing performance tracking of the ETX project and updating the KPI set by the project (last updated in July 2024), will be achieved by accessing the dedicated portal. Key factors such as reach, dissemination of deliverables, and further policy developments will be monitored.

Advocacy (long term - up to 3 years)

The network of CSOs established thanks to LifeETX, and the significant knowledge gained during the project's duration, will be crucial in positively influencing the upcoming reviews of the EU ETS and the Carbon Border Adjustment Mechanism (CBAM). Drawing on the lessons learned during the 2021-2023 legislative process and leveraging data and recommendations developed through various reports and briefings, the former project partners are well-positioned to contribute meaningfully to future reviews.

These organisations are equipped with a deep understanding of the legislative landscape and are capable of engaging effectively with policymakers at both the EU and national levels. By utilising this network, Life EFFECT can ensure that the insights and recommendations derived from LifeETX are communicated, influencing the direction and substance of ETS and CBAM reviews.

In particular, the 2026 ETS review will present a significant influencing opportunity. The partners involved in Life EFFECT will collaborate through the EU ETS Hub platform to share knowledge and insights on critical issues such as the inclusion of Carbon Dioxide Removal (CDR) mechanisms in the ETS and the reform of the Market Stability Reserve (MSR). The EU ETS Hub will serve to coordinate these efforts, enabling the partners to present an informed perspective on these complex topics.

The reform of the MSR, which is critical for maintaining the stability and effectiveness of the carbon price, will be informed by the extensive research and recommendations generated through LifeETX. Similarly, the potential inclusion of CDR in the ETS is a particularly pertinent issue, as it represents a potential shift in how emissions reductions are accounted for and incentivised. By disseminating comprehensive analyses and data on the possible outcomes of CDR integration into the ETS, we aim to provide policymakers with a clear understanding of the benefits and challenges associated with this approach.

Overall, the strategic use of the CSO network and the EU ETS Hub platform ensures that the knowledge and expertise developed during LifeETX are leveraged to their fullest potential, shaping the future of EU climate policy in a positive and informed manner. The contacts developed during the previous reform process will serve as a foundation to a strong network of policymakers engaged in carbon market reforms and willing to advocate for strong carbon pricing across all sectors.

Training (long term - up to 3 years)

The training modules will be updated on the ETX and CMW websites in order to ensure the ETS system is widely understood by NGOs, policy makers, and the general public. These training modules will be referenced when- delivering presentations on ETS basics to several organisations and institutions (CAN-E network, EEB, academic institutions, interest groups, project consortia, etc) when necessary.

Through online ETS Talks and Carbon Pricing Hub, it will be possible to reach a wider audience and focus on cutting-edge topics, especially as new opportunities to change the carbon pricing legislation arise (for CBAM, ETS1, ETS2, and the potential ETS for agriculture).

Life EFFECT project (long term - up to 3 years)

The main opportunities to replicate the successes of the LifeETX project can be realised in its successor, Life EFFECT, which secured funding in mid-2024. Through Life EFFECT, ETS2 will be rigorously examined, and outcomes of our research communicated and disseminated to CSOs and policymakers at both the EU and national levels. Thanks to LIFE funding and support from co-funders, the work of LifeETX will serve as a foundation to initiate activities for this new project.

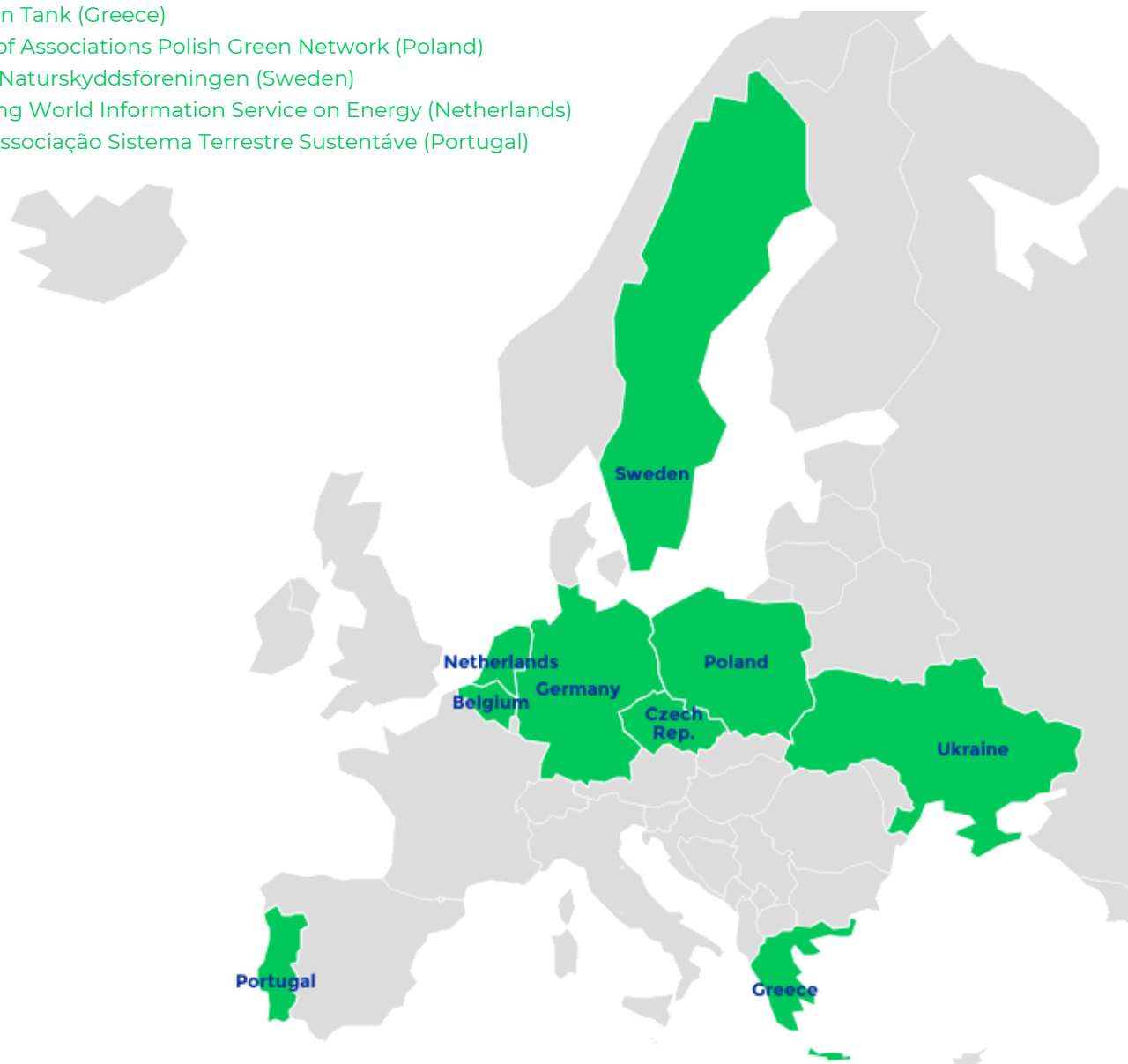
However, the project anticipates a potential backlash against carbon pricing for buildings and road transport. If sufficient, balancing social measures fail to be well calibrated, CO2 pricing in these sectors could translate into higher heating bills and fuel prices for both consumers and small businesses, which may be unpopular among the public and various stakeholders. Potential resistance can be exacerbated by associated economic challenges such as inflation or energy price spikes, making it a sensitive issue for policymakers who may encounter pressure to roll back or soften these measures.

Furthermore, between now and 2027, significant emerging political changes could pose additional risks. The election of a new European Parliament and the new Commissioners expressed by Member States might instigate a political shift, particularly as right-wing or populist parties holding anti-climate views gain power and influence. Such political actors may view stringent climate policies as detrimental to their agendas: potentially delaying implementation of the ETS2 or even introducing significant adjustments to the legislation, which threaten to undermine progress made by LifeETX and, potentially, by Life EFFECT.

WHO & WHERE

LifeETX project was implemented by a consortium of 10 NGOs working at national and European levels:

- Carbon Market Watch (Belgium/EU)
- Asociace pro mezinárodní otázky, z. s. (Czech Republic)
- Luftförorenings- och klimatsekretariatet (Sweden)
- Bond Beter Leefmilieu Vlaanderen vzw (Belgium)
- Germanwatch e.V. (Germany)
- The Green Tank (Greece)
- Alliance of Associations Polish Green Network (Poland)
- Svenska Naturskyddsföreningen (Sweden)
- Vereniging World Information Service on Energy (Netherlands)
- ZERO - Associação Sistema Terrestre Sustentável (Portugal)



Author

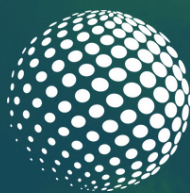
Carbon Market Watch

Edit and design

Gavin Mair, Communications Specialist
Noemí Rodrigo Sabio, Communications Specialist

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TRADING
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