

Any revisions of the ETD should be considered with the aim of further acceleration of the technological progress within the EU that will be instrumental for further decreases of GHG emissions. If the ETD is to be correctly adjusted for the next decade, its changes should be considered in relation to changes of the EU ETS because both tools are aiming to the same goal.

EU ETS is the key tool for decreasing GHG emissions and embeds the “polluter pays” principle. It is very likely that pricing of emission allowances under EU ETS will need to be raised substantially over the next 10 years in order to send a right signal to the economy for decreasing GHG emissions. Also, the emissions cap will need to be raised from the current level of 2.2% per annum to a substantially higher percentage, if we want to tackle the global warming successfully. Over the past 10 years the existing policies were unsuccessful and the atmospheric temperature as well as GHG atmospheric concentration continue to grow. As time passes, we are approaching the point of no return. Therefore, the EU ETS need to be adjusted.

It is absolutely crucial for the long-term strategic purposes as well as for business planning purposes to set the long-term benchmark goals. Those goals will set grounds for investment projects evaluation and long-term decision making in the business, banking and capital markets. Unless those prospective benchmarks are set, we will not make a real progress in accelerating technological innovations that are much needed for stopping the global warming. The following are examples of benchmarks for the CO2 emission allowance pricing and for the emission cap annual reduction factor.

1. Emission allowance pricing benchmarks

- 2021 EUR 40
- 2022 EUR 45
- 2023 EUR 50
- 2024 EUR 55
- 2025 EUR 60
- 2026 EUR 65
- 2027 EUR 70
- 2028 EUR 75
- 2029 EUR 80
- 2030 EUR 85

2. Emission cap annual reduction factor benchmarks

- 2021 2.2%
- 2022 2.7%
- 2023 3.2%
- 2024 3.7%
- 2025 4.2%
- 2026 4.7%
- 2027 5.2%
- 2028 5.7%
- 2029 6.2%
- 2030 6.7%

If EU ETS adjustments are correctly implemented, there will be significant revenues generated for financing the GHG decrease projects. As a result, low income citizens will bear an increased burden by paying higher prices for fossil fuels and energy. Therefore, it will be necessary to gradually phase out the excise taxes on all fuels and energy. Also, VAT rates on fuels and energy will need to be harmonised in all members states and gradually decreased. Gradual decreasing excise taxes and VAT should be planned for the next 10 years and the actual tax adjustments should be calculated to compensate as accurately as possible for the effects of increased fuels and energy prices that will rise as a result of the EU ETS adjustments (see above). These steps will simplify the tax environment and at the same time raise revenues for funding the green projects. At the end the economy will include the right signals for decreasing GHG emissions and the low-income society will not bear the burden.