Climate Change and Global Warming 2017: The bumpy ride of the EU emission trading scheme: An analysis of regulatory and governance challenges- Mei Zi Tan- Monash University, Australia

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Abstract

For more than a decade, the European Union Emission Trading Scheme (EU ETS) enjoys the fame for being the world's largest ETS. Nonetheless, the reality behind this fame is that the scheme has not been optimally designed to achieve its key objective of mitigating greenhouse gas emissions. Due to its unsatisfactory performance, many researchers have examined the regulatory challenges in the EU ETS using economic lens. Their works are valuable but less pragmatic for policymakers. This article aims to supplement the existing economic literature on the EU ETS by offering useful insights using legal lens. Specifically, it will analyze the influence of governance factors on the design features of the EU ETS. The regulatory problems of the EU ETS from Phase I to Phase III are explained using a three-level governance model. The main arguments are that the regulatory problems of the earlier phases were due to the discretions given to the member states. On the other hand, the suboptimal reforms in current phase are largely the responsibility of the EU legislative institutions; the European Commission, the European Parliament and the Council of Ministers. As for Phase IV, this article highlights the importance of citizens in shaping the future reforms of the EU ETS. The findings of this article provide relevant inputs for policymakers in the EU and other jurisdictions.

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