

FIGURE
09

EVOLUTION OF CO₂ AUCTION
VOLUME AND PRICES WITHIN EU ETS

Source: EEX, ERCST



The EU Emissions Trading System (ETS) works on a “cap and trade” principle. A cap is set to limit the volume of greenhouse gases that can be emitted by the installations and operators covered by the system. This cap is expressed in emission allowances, with each allowance granting permission to emit one metric tonne of CO₂eq (carbon dioxide equivalent). Annually, companies must surrender sufficient allowances to fully offset their emissions; otherwise, they face substantial penalties. Within the cap, companies engage in trading allowances amongst themselves. Due to the closer interaction between energy and carbon markets, the role of the EU ETS as a driver for change and its impact on investments has now increased. Traded volume is also crucial as it allows auction participants to be confident that future auctions are priced at their true value.