



Speech by President von der Leyen at the high-level event on carbon pricing organised by the Carbon Pricing Leadership Coalition and Canada

Glasgow, 2 November 2021

Thank you so much. And Justin, thank you very much for inviting me here, hosting this event. It is so important.

Indeed, our experience in the European Union is that carbon pricing works. We have introduced an Emissions Trading System in 2005. And for you to know, the European Union, that is 450 million people and 27 Member States, very different, one from each other – Stefan Löfven knows it, he is sitting with me in the Council – but we introduced an Emissions Trading System. Of course, at the beginning, you make your learning experiences; you make some mistakes. But now it is a mature one. And what it has proven is that it helped us decouple growth from greenhouse gas emissions. So you can prosper while cutting emissions. To give you a broad number: Since 1990, we have reduced the greenhouse gas emissions by 30%, while growing by 60%. So this is the first very important message.

What did we do? We put an Emissions Trading System on industry appliances, installations, and power plants. So industry and energy are covered since 2005 by a carbon price through the Emissions Trading System. Since then, we were able to reduce the greenhouse gas emissions in this sector, or those sectors, by 45%, and that shows the power of the Emissions Trading System. We were even able to lower our overall targets that we have in the whole economy. We were able to overshoot our target. We have for 2020 the target of 20%, we reached 31% – and it was mostly due to the Emissions Trading System.

Now, right now, we have introduced our detailed roadmap on how we are going to reach our goals in 2030. And for that, we, first of all, strengthened the Emissions Trading System on the existing industry and energy mix. Second, we extended to maritime – that is very interesting. So whoever is shipping through the European Union or in a certain way just around the European Union, whatever ship it is, they have to pay a price on carbon. So there is a huge incentive to move to other alternative fuels. And we will build a new Emissions Trading System on road transport, and heating and cooling in buildings. This is not trivial; this is very difficult to do. But with all the experiences we had now from industry and energy production, we are confident that we are going to be able to do that.

And here, I just want to mention a few principles that make us so confident. First of all, this instrument is market-driven. Secondly, – and this is most important – it nudges the business sector to find alternatives through innovation. If they want to avoid a carbon price, they have to go into clean technologies. And of course, through this innovation, we are benefiting a lot. It is very cost-efficient. And it is important that you design it to be socially fair.

And here for me are two points that are very important: We take the huge amount of revenues, on one hand to invest it in innovation and developing clean technologies – this is absolutely important – and, on the other hand, to socially balance the effects on vulnerable households and on small businesses that cannot avoid the pressure of a carbon price. Think about road transport or heating and cooling of buildings: vulnerable households need to have a compensation.

My last point: If we would live in a perfect world, I would love to have a global price on carbon for everybody and everything globally, that would be perfect. We will, to avoid carbon leakage, now introduce, slowly but surely, a Carbon Border Adjustment Mechanism that says: 'If you come with a dirty product to our market, you have to pay a price as if you were in the Emissions Trading System in the European Union. But we prefer that you keep the money in your economy by putting a price on carbon in your economy.' This is what we want to discuss with all of you.

Thank you.

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