


Chapter 3

Revenues of the EU ETS Auctioning and Their Impact on Budgetary Allocation: The Case of Poland

Kamilla Marchewka-Bartkowiak

 <https://orcid.org/0000-0001-5703-4189>

Poznan University of Economics and Business, Poland

Klaudia Jarno

 <https://orcid.org/0000-0001-9034-9246>

Poznan University of Economics and Business, Poland

ABSTRACT

This chapter offers insight into the role of EU ETS auction revenues from the perspective of a public sector and implementation of climate change policy rules. The final part of the chapter presents a detailed analysis of the Poland case in the years 2013-2019. The analyses conducted revealed that the revenues acquired from emission allowances auctioning impacted the state of public finance in Poland to a lesser degree than projected. At the same time, it was also revealed that the currently applied solution in Poland in terms of qualifying revenues from auctioning and spending funds in accordance with the provisions of Directive 2003/87/EC fails to be transparent and does not promote additionality of actions taken.

INTRODUCTION

Over the past two decades, the need to achieve an array of strategic environmental targets gave rise to the establishment of special financial and market mechanisms globally, supernationally (including the EU) and nationally. One of those mechanisms is the European Union Emission Trading System (hereinafter the EU ETS). The establishment of the auctioning of carbon emissions allowances also triggered the development of some other financial mechanisms in the public sector. On the one hand, the rules of the

DOI: 10.4018/978-1-7998-7967-1.ch003

facility were aimed at introducing the mechanism of price competition, but on the other, they also offered public support in the form of providing financial support in funding environmental protection projects.

This chapter offers an insight into the role of EU ETS auction revenues from the perspective of a public sector and implementation of climate change policy rules. We use the case of Poland to illustrate a problem.

To achieve the research goal, we examine both the EU legislation and quantitative data on Poland's budgetary revenues from auctioning of carbon permits and its expenditures on climate protection. We have sourced data from the European Energy Exchange (hereinafter EEX), ICE Futures Europe, Poland's Ministry of Finance, Poland's National Fund of Environment Protection and Water Management (hereinafter NFEP&WM), and EIONET. The time frame of our analysis is 2013-2019.

We organise our discussion as follows. The next section provides a review of previous studies on allocation of EU ETS auction revenues. The subsequent sections introduce our research methodology and examine rules governing auctioning allowances under the EU ETS and present auctioning in practice. We then turn attention to the role of auction revenues within a state budget. We examine different models of auction revenues allocation. The final part of the chapter discusses the Poland case. We analyse amounts of auction revenues forecasted at the beginning of the third trading period, thus the expected effect of auction revenues on the state budget. The final part of the chapter offers a detailed analysis of Poland's auction revenues allocation model and the extent to which Poland meets the obligation to spend 50% of auction revenues on pro-climate actions.

LITERATURE REVIEW

The debate over the use of auction revenues started at the very beginning of the EU ETS operations. Müller (2008) summarised the first rounds of negotiations between EU member states and EU bodies over the extent to which auction revenues should be earmarked for climate change purposes and discussed points highlighted by both followers and opponents of earmarking as well as presented some countries' experience with earmarking in public finance.

Marchewka-Bartkowiak (2012) focused on possible allocation models of auction revenues and differentiates between directing auction revenues to the state budget and channelling them into a specially dedicated environmental fund.

Löfgren et al. (2018) compared auction revenues across EU member states and investigated the directions of auction revenues spending using EIONET data. They found that when spending their auction revenues, EU countries generally favoured energy efficiency projects and promotion of renewable energy sources (the same conclusion was drawn from a similar study that utilised EIONET data of Quatrosi (2018)), though there was a great diversity between countries. The researchers concluded it was impossible to completely review spending of auction revenues within the EU because of some obstacles. First, they stressed big differences between countries when it comes to amount of data reported. They also highlighted the lack of direct earmarking in many countries. Finally, they underlined that one was not able to assess the extent to which auction revenues crowd out funding of projects that would have been implemented without the revenues. Their findings regarding comparison difficulties are similar to those obtained by researchers that have prepared a report on auction revenues spending for the European Commission (Le Den et. al 2017).

16 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage:

www.igi-global.com/chapter/revenues-of-the-eu-ets-auctioning-and-their-impact-on-budgetary-allocation/280958

Related Content

Positions of Mobile Phone Brands on University Students' Mind

Tamer Baran (2016). *International Journal of Sustainable Economies Management* (pp. 18-28).

www.irma-international.org/article/positions-of-mobile-phone-brands-on-university-students-mind/161629

Technology and Development: Universalizing Access to and Protection of Information and Communication Technology

Qerim Qerimi (2012). *International Journal of Social Ecology and Sustainable Development* (pp. 1-21).

www.irma-international.org/article/technology-development-universalizing-access-protection/64241

Case Study Reclaimed the Greener Way: A Proposed Supply Chain Model for the Reclaimed Lumber Industry

John Kaliskiand Queen Booker (2012). *Sustainable Policy Applications for Social Ecology and Development* (pp. 261-269).

www.irma-international.org/chapter/case-study-reclaimed-greener-way/68788

A Study of Tourist Perceptions of Overseas Travel Stress While Visiting Bangkok, Thailand

Adarsh Batra (2011). *International Journal of Social Ecology and Sustainable Development* (pp. 1-16).

www.irma-international.org/article/study-tourist-perceptions-overseas-travel/55090

The Portuguese Environmental Tax Burden: A Systematic Approach

Gisela Pinto Oliveira, Cecília M. R. Carmoand Sérgio Ravara Cruz (2023). *Taking on Climate Change Through Green Taxation* (pp. 303-317).

www.irma-international.org/chapter/the-portuguese-environmental-tax-burden/328649