Brexit leaves ambiguous future for Europe's carbon market

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Britain's decision to exit the European Union has elevated a critical question about the future of the world's largest carbon market and fears that it could also abandon the scheme sent prices dropping.

Britain is the second-biggest emitter of greenhouse gases in Europe and as a result its utilities are among the largest purchasers of permits in the EU's Emission Trading System (ETS), which charges power plants and factories for every tonne of carbon dioxide (CO_2) they release. With Britain's continual participation in the scheme under question, EU carbon prices declined over 10 percent on Friday morning, and to their lowest level since March. EU lawmakers are presently working on reforms of the market that will cut the share of free carbon permits distributed after 2020 as part of an effort to settle the oversupply in the system and increase prices. In the past Britain has been a supporter of measures to boost prices, but will no longer have impact to outline the market's future regulations. For instance, Britain, along with Germany, led efforts to broker an agreement with member states last year to obtain ETS reforms initiated in 2019, two years earlier than nations such as Poland had desired. Most analysts think that Britain will stay in the EU ETS even if it has voted to exit the European Union, and follow a similar path to Norway whose firms take part in the scheme despite not being an EU member. Britain requires a high carbon price to justify its investment in constructing new nuclear plants, which produce energy without emitting CO_2, and has enforced a carbon tax of 18.08 pounds ($24.77) per tonne that users must pay in addition to purchasing allowances on the EU ETS, approximately 5 euros a tonne.