Reforms aimed at rescuing the European Union's landmark carbon-cutting mechanism, the emissions trading scheme (ETS), are back on track after attacks from business lobbyists and Conservatives.

A key committee of the European parliament judged in favour of the reforms on Tuesday, meaning that they will move on to be debated by the whole parliament, probably in April. However, it was unclear on Tuesday whether there would be an additional stage of scrutiny before the parliamentary vote, during which time the measures could be watered down.

The two UK Tory MEPs on the committee, Martin Callanan and Marina Yannakoudakis, defied David Cameron to vote against the reforms.

The committee's decision to pass the reforms was welcomed by environmental campaigners. If the reforms pass the parliament, then some of the carbon permits destined for the emissions trading scheme market will be held back until 2019, which should restrict the over-supply of permits and raise the price of emitting carbon dioxide in the EU.

The ETS is in need of rescue because the prices of carbon permits under the scheme have plummeted, now trading at around €5, down from average prices of over €30 in previous years. The scheme covers heavy industries and power generators, which need permits for each tonne of carbon dioxide they produce. Having to use these permits – some of which are given out for free, while the remainder are auctioned – is supposed to encourage companies to cut their emissions and invest in cleaner technologies and methods.

But at such low prices, the permits make little difference. That prices are so low is partly the result of an over-allocation of free permits, the recession, and rules allowing the use of even cheaper carbon credits from abroad to substitute for EU permits.

The short-term fix that the reforms would introduce is known as "backloading", whereby some of the allocations of permits by member states to their industries would be held back from auction for several years. At present, auctions of permits take place on a regular basis, in which companies bid for any they need above the free allocation that some receive. But as the market is already swamped, thanks in part to companies carrying over unused permits from previous years, if the auctions were to take place as usual the price could fall even further. Under "backloading", some of those auctions will be postponed until later in the current phase of the scheme, which runs to 2020.

Rob Elsworth, policy officer at the campaign group Sandbag, said: "The road to structural reform of the ETS starts with backloading. Today's vote puts us firmly on that road. What's more it reiterates support for the EU's flagship climate policy, the ETS. Abandoning it at this point would have left the EU with an even more politically charged debate around alternatives."

According to Thomson Reuters Point Carbon, which analyses the carbon market, traders sent the price of carbon down from an opening of €5.13 per tonne to as low as €4.09 after the news. Marcus Ferdinand, senior market analyst, said: "The market realised that there are more negotiations and votes to follow and, therefore, it didn't show any sign of relief but traded straight to the downside, indicating that the market remains sceptical as to whether politicians will support the measure in the end."

The next stage is for MEPs to decide whether to enter a "trilogue" with the European commission and council, before presenting proposals for debate to the parliament as a whole, or to move straight to the parliament. If there is an intermediary stage, it could be an opportunity for business lobbyists – many of whom oppose backloading – to attempt to water down the reforms.

Jonathan Grant, director of sustainability and climate change at the consultancy PwC, said much more drastic reforms were needed. "The approval of the backloading proposal by the European parliament environment committee will help to prop up prices in the short term, but that prop will be taken away when the carbon permits are re-introduced into the system towards the end of the decade, at the end of Phase 3 [in 2020]," he said.

"Our analysis shows that both bold policy intervention and a return to economic growth are needed to prompt the market to return to historic levels of €15-20. So backloading is temporary medicine when the EU ETS needs major surgery. It is not clear from the vote today whether major structural reform of the EU ETS will be possible in 2013 particularly given governments' current focus on growth and jobs."