

The EU's Cap-And-Trade Directive

Current status from an NGO view

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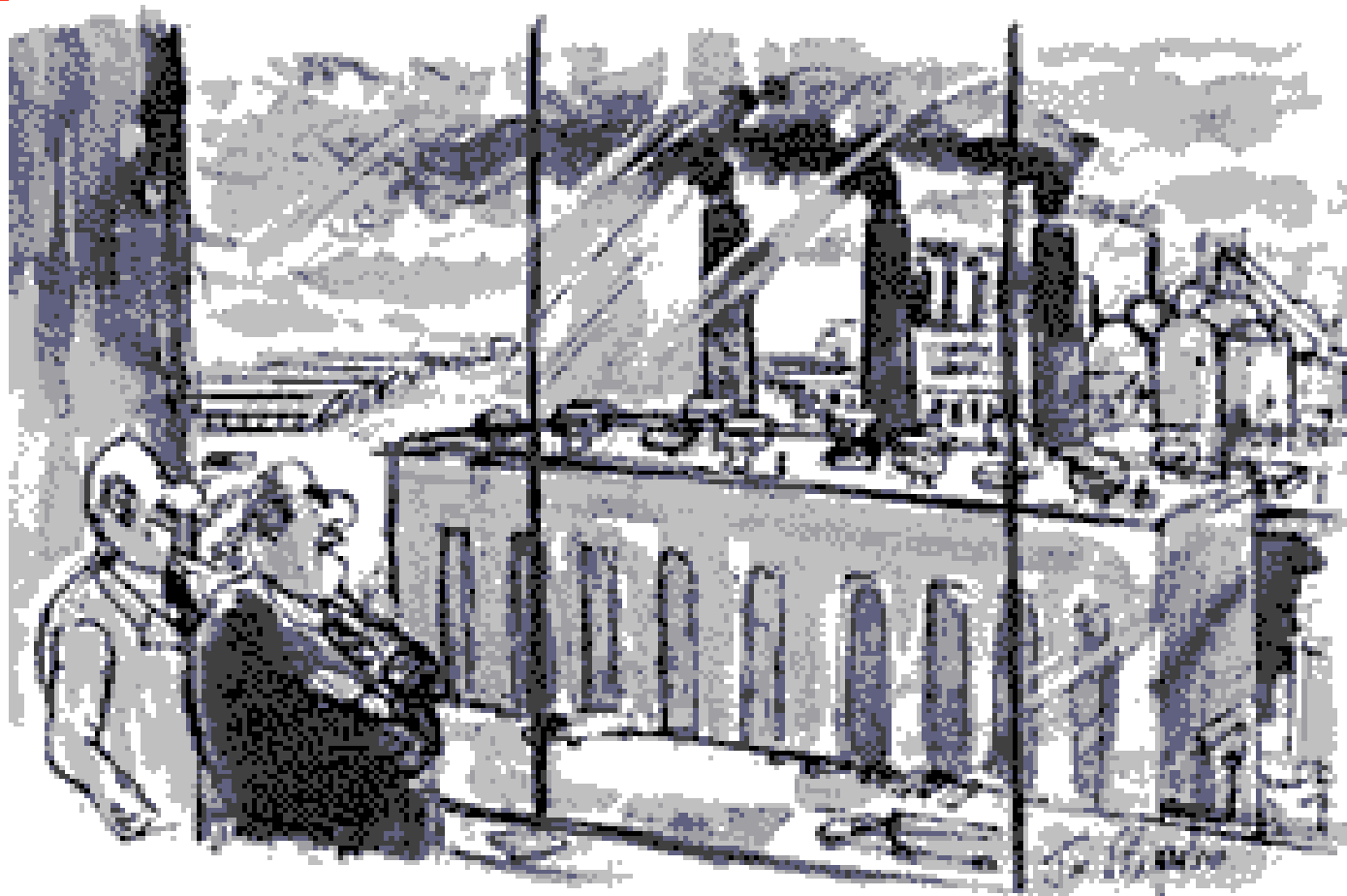
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Centre for Alternative Technology, CAT, Wales, UK

- Climate Action Network (CAN) is an international network of ca. 350 NGOs that work on climate change
- CAN-Europe is the Western European node, nearing 90 member organisations
- Brussels office focuses on EU level policies, coordinates with members
- CAN has focused on the UN negotiations (Rio, Bonn, Kyoto, Marrakesh)

Emission Trading in the EU



“Where there’s smoke, there is money.” ...will be turned on its head

Emissions Trading in the EU

- Process initiated in 2000, final adoption of the directive in July 2003 by both Parliament and Council
- Central part of the European Climate Change Program (ECCP) (=Kyoto Implementation strategy)
- Usually known as “Emissions Trading”, more precisely, it's a cap-and-trade system

Essential elements of the directive

- Caps CO₂ emissions from industry from 2005 (covers around half of all the EU's CO₂)
- Sectors covered: electricity, oil refining, steel, cement, glass, ceramics, pulp and paper (>10,000 installations in the EU15)
- Non-compliance penalty of 100 € per ton of CO₂ from 2008 (2005-7: 40€)
- Allows use of external credits from Kyoto Project Mechanisms (JI/CDM)

How does it work?

- EU Member States decide on the maximum emissions from industry and allocate these to each installation (= cap)
- Plant operators have to show “allowances” for each unit of CO₂ they emit each year
- If they emit more than they have been allocated by the government, they have to reduce emissions or buy allowances from other installations that have a surplus (= the trading)
- If they fail to do so, they have to pay a hefty fine for each ton of emissions and then still buy the missing allowances

Why did we support it?

- Sets an absolute emissions reduction target
- Strong compliance system
- Decent monitoring and verification
- Regulates emissions from a sector that is often exempted from other measures (e.g. taxation)

What are the risks?

- The National Allocation Plans (NAP) are not ready yet (= so far we have no targets)
- Emissions from some sectors not completely covered (eg. chemicals)
- Uncertainty over link with Kyoto project mechanisms JI/CDM

Where can NGOs still make a difference?

- Target-setting on Member State level needs input, provisions in directive for this
- Directive on linking with JI/CDM directive has just been published by the Commission, some issues can still be tackled

National Allocation Plans (NAP)

- Member States are elaborating these at the moment, some have progressed, others barely started
- MS need to send them in by end of March 2004, after which the Commission has three months to review them
- Text of the directive calls for public review and access to information - examples:
 - “In order to ensure transparency, the public should have **access to information** relating to the allocation of allowances and to the results of monitoring of emissions”
 - “The plan shall be based on objective and transparent criteria, including those listed in Annex III, taking due account of **comments from the public.**”
 - “The plan shall include **provisions for comments** to be expressed by the public, and contain information on the arrangements by which due account will be taken of these comments before a decision on the allocation of allowances is taken.”

Link with JI and CDM credits

- Principal NGO position was opposition to any link
- Now that this cannot be avoided, the remaining issues are related to both quality and quantity of the credits allowed
 - Sinks projects (excluded in current proposal)
 - Large hydro power projects (vague language in proposal)
 - Cap on the maximum number of credits allowed
- All of these could still be tackled in the text of the directive, but all three will be tough to win
- In any case, the existence of the link provides strong argument for tough targets in the NAPs
- Continuation of work in UN CDM framework needed

Any questions?

More information also on our website @
www.climnet.org

<http://www.climnet.org/>

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more: www.cdmwatch.org, www.sinkswatch.org

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