



General Industry View on the 2006 ETS Review

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ETS: initial impacts

- Successes
 - Initial step towards putting a value on carbon
 - Monitoring, Reporting and Verification
- Problems
 - Implementation
 - Interpretation of definitions
 - Electricity prices
 - Slow development of JI/CDM



Objectives for 2006 ETS review

- Minimise direct and indirect impact of ETS on competitiveness of EU business
- Eliminate, as far as possible, inconsistencies, constraints and barriers, and bureaucracy in the ETS
- No unfair increases in impact on those installations subject to the EU ETS phase I



Recommendations for 2006 ETS review (1)

General issues:

- Thorough review of impacts, including indirect impacts => recommendations for corrective actions where appropriate
- Facilitate comparison between NAPs: methodologies, common format
- Timing of submission of NAPs



Recommendations for 2006 ETS review (2)

Specific issues:

- Harmonisation
 - Definitions
 - New entrants and closures
 - Accounting and tax treatment
- Extension of scope
 - Use of opt-in of installations
 - Other gases
 - Other sectors



Recommendations for 2006 ETS review (3)

Specific issues (continued...)

- Use and availability of credits from Kyoto Mechanisms
 - Full access to JI and CDM credits
- Business planning
 - Longer time horizons to facilitate investment
- Use of opt-out for smaller installations
- Other issues
 - Pooling
 - Process emissions



Summary

- Phase I of ETS: « learning by doing ».
- Critical elements for cost-effective ETS:
 - Well functioning emission trading market
 - Unlimited access to JI and CDM credits
 - Solution to the impact of increasing energy prices
- EU climate policy must reflect the outcome of post-2012 international negotiations, particularly progress on designing a comprehensive global framework involving all countries and regions.

