

Implementing the Emissions Trading Directive

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<http://www.eujapan.com/japan/home.html>

排出枠取引指令の施行

欧州委員会

環境総局

気候、オゾン、エネルギー

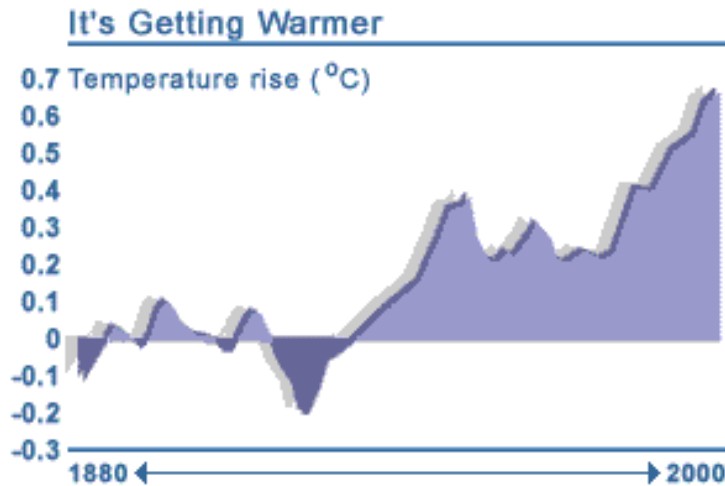
Madeleine INFELDT



日欧産業協力センター(6月9日)

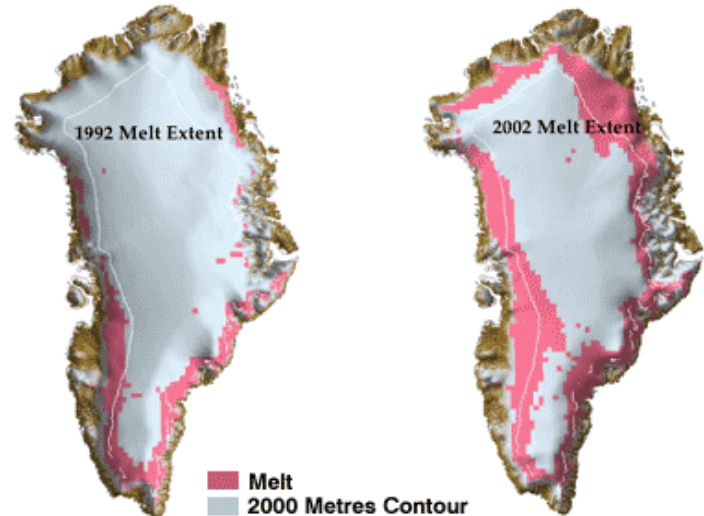


Background: Climate Change



- 1990s: warmest decade of the 20th century
- WHO estimate: 150.000 people die each year as a result of human-induced climate change

“The 21st Century will have to be the century of adaptation to climate change...
In environmental terms, it is going to be the century of scarcity”





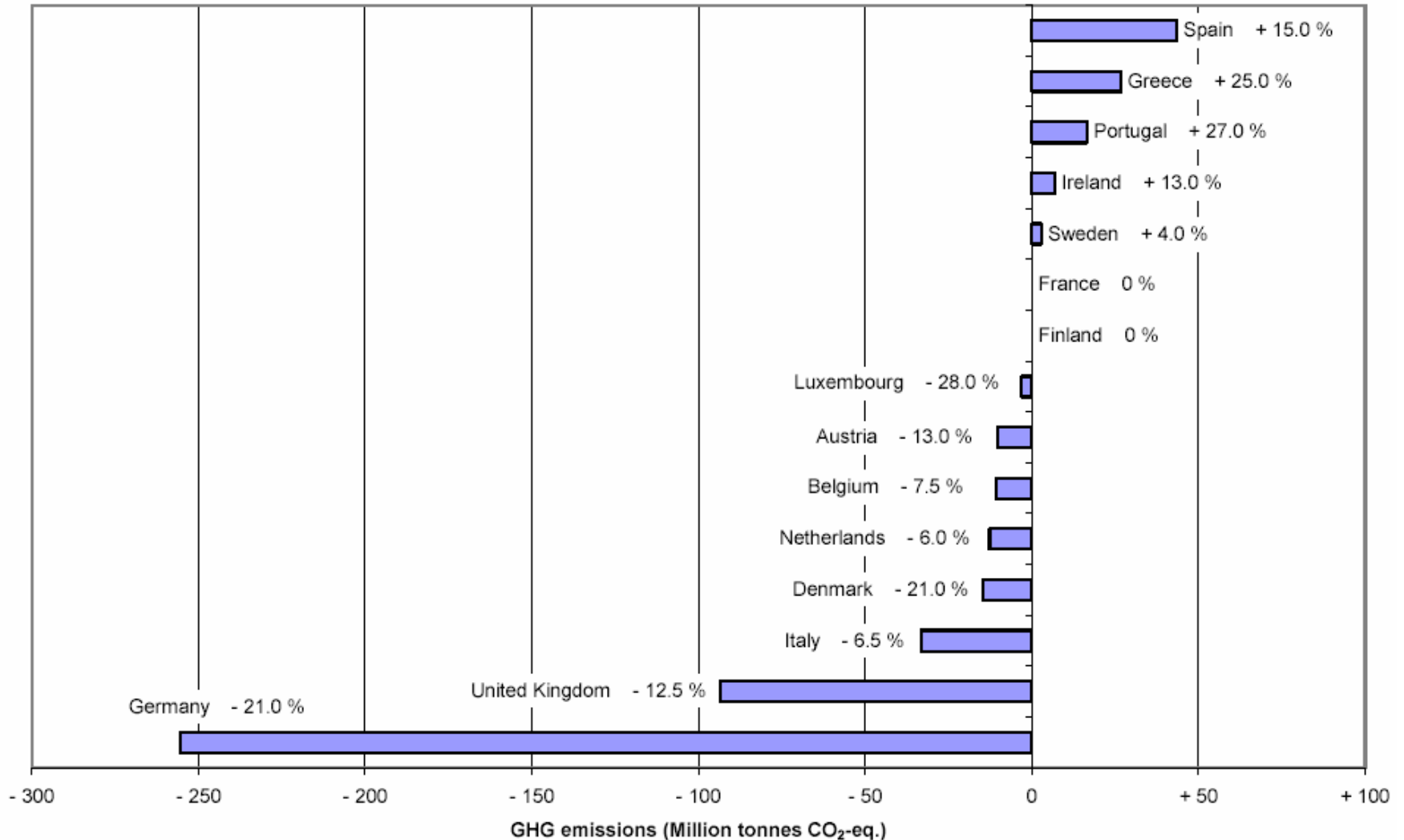
Background: historical

- 1992: United Nations Framework Convention on Climate Change (UNFCCC)
- 1997: Kyoto Protocol: fixed reduction targets for industrialised countries
- 2001: US withdraws from Kyoto Protocol & Gothenburg summit
- 2002: all Member States & Community ratified Kyoto





GHG emission targets of EU Member States for 2008–12 relative to base-year emissions under the EU burden-sharing decision





EU policy on climate change

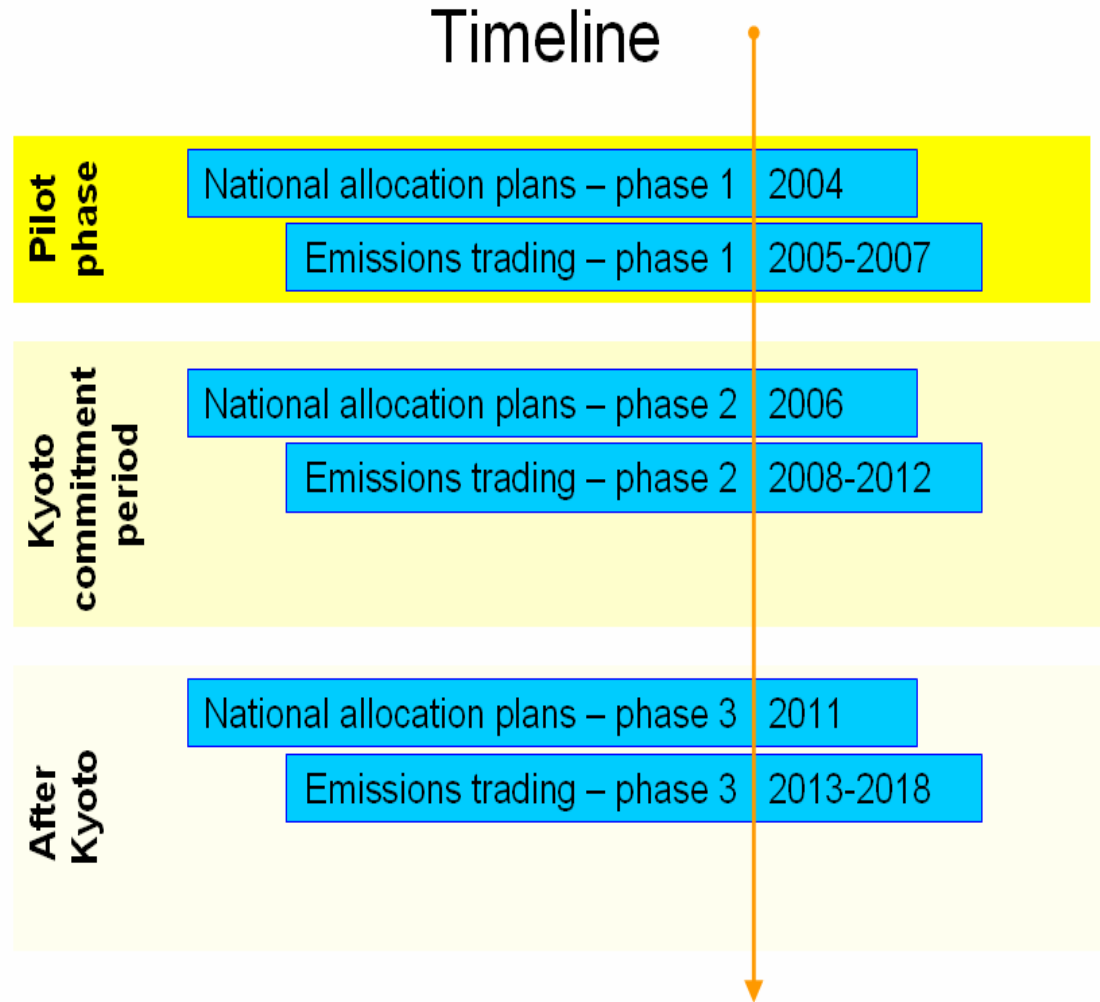
1. All sectors of the economy should contribute to limits
2. Employ the most cost-effective instruments available
3. Use market forces to find the lowest cost opportunities over a wide geographical area





EU emissions trading scheme

- a new, market based instrument to reduce emissions
- reduces compliance costs for the EU
- USA: successful emissions trading for other pollutants
- the largest scheme ever implemented
- Community-wide recognition of & trade in allowances





EU-trading: coverage



- Energy intensive industry
- 12.000 or more installations
 - Electricity generators
 - heat & steam production
 - mineral oil refineries
 - ferrous metals: production & processing
 - cement, lime glass, bricks and ceramics
 - pulp & paper sector



NAPs

- Respect the Kyoto / Burden Sharing commitments
- Share reduction requirements between all sectors
 - Transport
 - Households
 - Tertiary sector
 - Industry





EU-trading: how it works

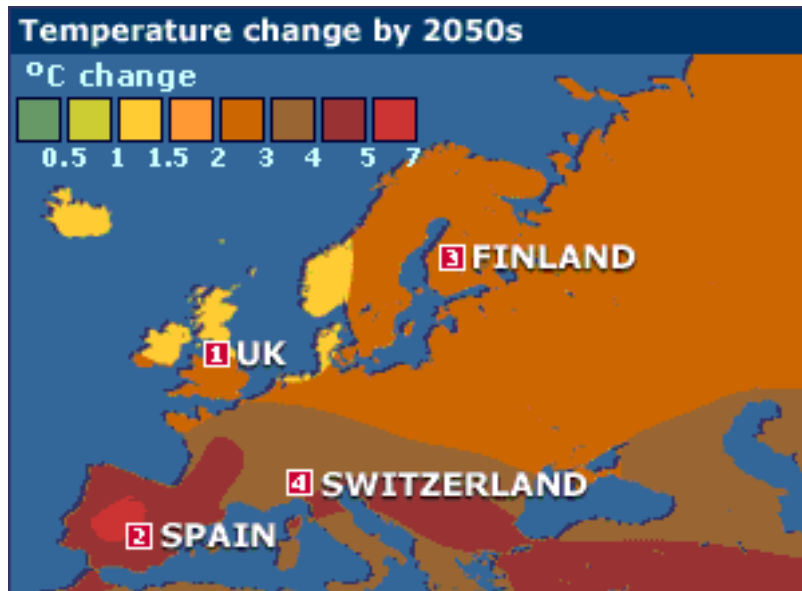
- CO2 emissions must be covered by allowances
- Community-wide trading of allowances
- *open*: might be linked to other schemes in the future
- *results-oriented*: companies decide how to reduce
- *scarcity* determined by total allocation across the EU





NAPs: allocation principles

- 2005-2007 at least 95% of allowances must be allocated for free (2008-2012 at least 90%)
- Allocation “shall be based on transparent & objective criteria” – but considerable discretion for Member States
- NAPs can not be revised after start of trading period



- Commission checks NAPs within 3 months for compliance with Directive
 - must be consistent with Kyoto & burden sharing commitments
 - no discrimination to unduly favour companies or sectors
 - there will be some distributional impacts



What Companies should do

Establish clearly what each installation emits in terms of CO₂

Follow the allocation processes in all EU Member States

Read the Guidance document by Commission

Start examining ways of reducing emissions



From 2008

- Member States can include other greenhouse gases covered by Kyoto
- Member States can include other installations & activities
- Comprehensive review of the scheme by the Commission in 2006
- 2005: credits from Kyoto project mechanisms (CDM) can be included, & JI from 2008



The Relation of Joint Implementation and the Clean Development Mechanism to Domestic Action in the EU



Kyoto Protocol's project-based mechanisms

- Joint Implementation (JI):
 - in industrialised countries, in particular Russia and Eastern Europe, e.g. conversion of district heating plant from coal to biofuels
- Clean Development Mechanism (CDM):
 - in developing countries, e.g. wind power in India
- Aim to achieve global emissions reductions in a cost effective way while transferring advanced technology to other countries
- Credits from emissions reductions usable by governments of Kyoto Parties with commitments such as EU



Linking JI/ CDM to the EU ETS

Linking JI/CDM to EU ETS creates a bridge between two different frameworks: Community cap and trade scheme, and Kyoto Project Mechanisms

- Allows companies in the EU ETS to convert JI/CDM credits into allowances to fulfil their obligations under the EU emissions trading scheme
- Linking implies the recognition of JI/CDM credits as equivalent to EU allowances from an environmental and economic point of view



Benefits of linking JI/CDM

- Promotion of the transfer of environmentally sound technologies to third countries
- Contribution to host countries' Sustainable Development
- Increased liquidity of the EU emissions trading market
- More compliance options for entities
- Reduction in allowance price and compliance costs



Key issues: Double counting

- From 2008, necessity to avoid double-counting of emission reductions. Double-counting would happen if JI credits were issued in respect of the limitation or reduction of emissions covered by the EU trading scheme
- Activities falling under the scope of the EU ETS as listed in Annex I or “opted-in”
 - ▷ Example: fuel switching in a district heating plant
- Other project activities which directly or indirectly affect emissions from installations covered by the EU ETS
 - ▷ Example 1: windpower plant
 - ▷ Example 2: demand side management project (light bulbs and double glazing)
- Transitional provisions proposed for JI projects already approved or in the course of approval



Jl wind power project



Baseline = National Power emissions

Extra electricity



Less electricity



Emissions reduced

Wind project earns ERUs and exports them

Allowances produced and sold on the EU market



Allowances and ERUs produced from ONE EMISSIONS REDUCTION PROJECT in installation covered under EU ETS and thus counted twice



Trades Between Entities in Different Member States After 2008

AAUs + ERUs

CERs?

**Annex B
3rd country**

**Developing
country**

10 AAUs

**Party a/c of all
Assigned Amount
of MS A**

**Party a/c of all
Assigned Amount
of MS B**

10 Allowances

A1

A2

A3

A4

B1

B2

B3

-2 +2

$100 - 10 = 90$

$80 + 10 = 90$