

# The EU's Cap-And-Trade Directive

## Current status from an NGO view

Matthias Duwe

Climate Action Network Europe

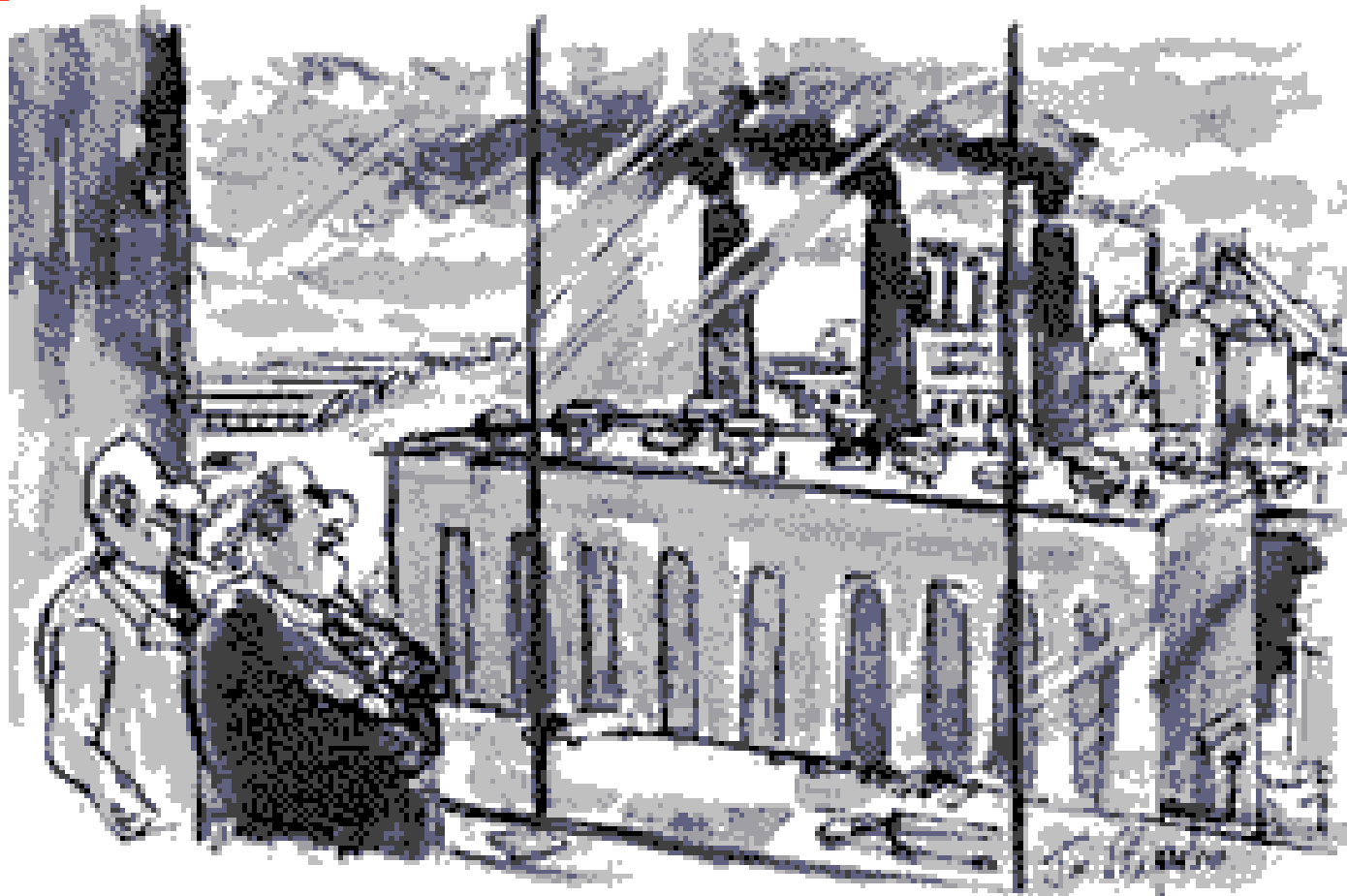
INFORSE-Europe Pan-European Sustainable Energy

Seminar, September 30-October 4, 2003

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 CO<sub>2</sub> emissions from industry from 2005 (covers around half of all the EU's CO<sub>2</sub>)
- 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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)

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

Matthias Duwe, CAN-Europe, [matthias@climnet.org](mailto:matthias@climnet.org)

more: [www.cdmwatch.org](http://www.cdmwatch.org), [www.sinkswatch.org](http://www.sinkswatch.org)

INFORSE-Europe Seminar:

[www.inforse.org/europe/seminar03](http://www.inforse.org/europe/seminar03)