

Emission trading in the EU

Rob Bradley,
Climate Network Europe

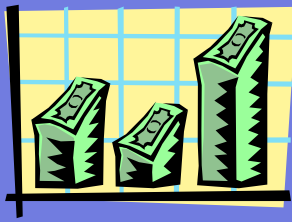
Who is Climate Network Europe?

- We focus on climate change
- 85 European Members
- More than 300 members of the Climate Action Network (CAN)
- Necessary global perspective
- CAN a major player in the Kyoto process

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The EU as the home of emission trading?

Oh the irony!



EU can set the rules, but domestic trading is VERY different from Kyoto trading.

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Why consider emissions trading?

- Sets a CAP on total emission from the sectors covered
- Certainty of environmental outcome
- Trading helps allocate effort between countries, increasing equity
- Helps reduce costs, making deeper cuts more politically acceptable
- Encourages innovation – pushes further than best available techniques

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EU emission trading is not the same as Kyoto emission trading!

- Kyoto trading incorporates hot air due to silly target-setting
- Compliance is essential to a credible trading system – we have the ECJ!
- EU trading will be for companies – easier to prosecute
- Few international equity issues

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Why should progressive business want to keep the EU scheme separate?

- Kyoto fungibility would make public acceptance much lower – hands up who wants BAT!
- Russian hot air and CDM sinks could destroy nascent markets for cleaner technologies
- Clean industry may be seen as irrelevant for meeting Kyoto

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About the Commission proposal

- “Downstream” trading system
- Direct emissions only
- Sectors limited to large point sources (industrial)
- Chemical sector partly excluded
- CO2 only

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What has happened to it?

- Proposal was blocked in interservice consultation
- Blockers were DG ENTR, Germany Ministry of Economics and BDI
- Proposal to reappear before COP7
- Part of overall implementation package

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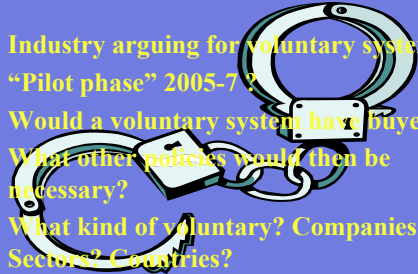
Key issues for NGOs

- Mandatory or voluntary?
- Sectors covered and targets
- Compliance system
- Allocation methodology
- Project mechanisms

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Mandatory or voluntary?

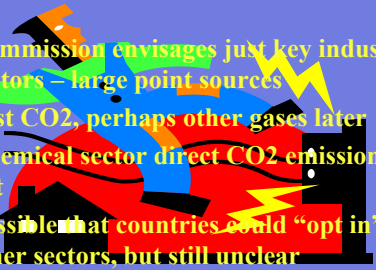
- Industry arguing for voluntary system
- “Pilot phase” 2005-7?
- Would a voluntary system have buyers?
- What other policies would then be necessary?
- What kind of voluntary? Companies? Sectors? Countries?



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Sectors to be covered

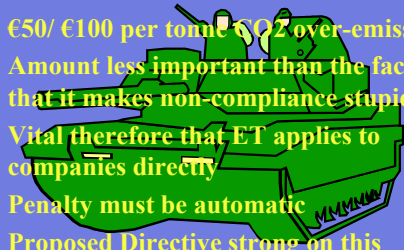
- Commission envisages just key industry sectors – large point sources
- Just CO2, perhaps other gases later
- Chemical sector direct CO2 emissions out
- Possible that countries could “opt in” other sectors, but still unclear



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Compliance

- €50/ €100 per tonne CO2 over-emission
- Amount less important than the fact that it makes non-compliance stupid
- Vital therefore that ET applies to companies directly
- Penalty must be automatic
- Proposed Directive strong on this



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Allocation methodology

- Auctioning vs. Grandfathering
- Hybrids are possible
- Principle of reward for early action/penalty for late
- Methodology to be decided at EU or member state level?
- Not critical for environmental outcome



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Project mechanisms

- EU process must not prejudice outcomes
- Why have them at all?
- International rules alone will not be acceptable
- Prohibitions include domestic-only projects and same-sector



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What now for NGOs?

- Kyoto interactions will decide to large extent whether NGOs support or oppose ET
- Domestic action needed to create clean technology markets!
- Weigh ET against and in context of other measures

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