

Revision of the EU ETS

State of play

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The climate and energy package

- 20% GHG reduction compared to 1990 (today -6.5%)
 - Independent commitment
- 30% GHG reduction compared to 1990
 - In context of international agreement
- 20% renewables share of final energy consumption (today 8.5%)

- EU wide common maximum level of allowances („Cap“) with linear reduction path
- Harmonised allocation rules:
 - Auctioning as main principle (Re-distribution of revenues to Member States with low GDP)
 - Allocation for free phased out for industry by 2020
 - Special measures for sectors at significant risk of „carbon leakage“ (e.g. up to 100% allocation for free)

- Extension of the scope (new activities and greenhouse gases)
- Opt-out for small emitters
- Provisions for linking to other emission trading systems
- Qualitative and quantitative limits for JI/CDM
- Improvements regarding monitoring, reporting, verification (MRV)

Carbon leakage: General Principles

- Commission shares the view that carbon leakage has to be avoided
- Relocation of industry does not help to protect the global climate, in particular if the result is higher global emissions
- International climate change agreement is the best means to level the playing field
- Exposed sectors can get up to 100% of allowances for free as a default rule

Criteria for carbon leakage

- The ETS proposal:
 - Extent to which auctioning lead to a substantial increase in cost
 - Possibility to reduce emission levels
 - Market structure and exposure to international competition
 - Effect of climate change policies implemented outside the EU
- Commission is open to consider further precision and specification.
- In this context, interesting proposals are tabled by the ENVI Committee and the Presidency
- However, criteria should be concrete and fully operational to ensure feasibility of the analysis
- Availability of data is a concern for some of the elements (e.g. profitability figures), as well as the requirement to do forward looking modelling

- Fully harmonised Community-wide benchmarks
- Rewarding operators that have taken early action - “Polluter pays”
- Simplicity
- Based on direct emissions
- Based on objective and transparent criteria
- Involvement of all relevant stakeholders
- All allocations to be determined before the start of the trading period

- **European Parliament: ENVI vote on 7 October**
 - Support of the main architecture of the package
- **European Council (15+16 October):**
 - confirms the ambitious commitments approved in March 2007 and March 2008.
 - requests the Presidency and the Commission to organise intensive work in order to reach agreement by December 2008
- **Environment council (20+21 October):**
 - More detailed debate, but similar support for fast agreement

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Info on the Climate Action and Renewable Energy Package at
http://ec.europa.eu/environment/climat/climate_action.htm