



## NEWSLETTER

### The EU Emission Trading Scheme and the Effort Sharing Decision in the European Climate Package

October 2008

Tuesday 7th October saw the crucial **votes** in the lead environment committee on the **ETS Directive and the ES Decision**. The environment committee's opinion will effectively determine the European Parliament's position in the subsequent negotiations with the Council of Ministers that will decide the final package of measures that will become law.

The core elements the Parliament has agreed upon are:

The committee rejected attempts to block the **move from a 20% to a 30% emission reduction by 2020** in the event of an international agreement. While NGOs had called for at least a 30% unilateral cut, CAN welcomed the Explicit acceptance of moving from a 20% to a 30% emission reduction by 2020 in the event of an international agreement in Poznan (COP 14). This is sending a positive signal to the international community ahead of the talks.

Willingness to support a major European commitment to **additional financial support for adaptation** in developing countries - **from €5 billion in 2013, rising to €10 billion by 2020** - and to the principle of additional financial support for mitigation in developing countries, though no figures were adopted.

The committee also voted to reduce - by a third compared to the Commission's proposal - the **flexibility** that member states would have to meet their emissions targets under the ES directive through **CDM credits**.

Some language around the **quality of CDM credits** was also adopted, though the 'Gold Standard' was not endorsed and the possible inclusion of forestry credits was introduced, subject to certain criteria.

New **compliance measures** for member states were supported, including financial penalties and loss of auctioning rights.

For sectors covered by the ETS, full **auctioning** for the power sector was accepted from 2013, and in the non-power sectors, the committee voted for 15% auctioning in 2013, rising to 100% in 2020 - a marginal and largely

symbolic weakening of the Commission's proposal to start at 20% in 2013. The committee also decided that all **auctioning revenues** should be spent on action to combat climate change.

Now recent developments in the Council meeting of **15-16 October** showed opposition by Eastern European countries and Italy.

In the Draft Conclusion of the ENVI Council of **20-21 October**, the Climate and Energy Package represents one point among others, and the discussion has concerned in particular the **EU ETS, the ES and CCS** (Carbon Capture and Storage). The Council clearly expressed that an agreement on the Package was to be reached by the end of the year. A particular attention concerned the **100% auctioning of EU ETS allowances** and on the **risk of carbon leakage** for some sectors with a view to preserve competition.

A great stress was also put on the UNFCCC Conference of the Parties Meeting of Copenhagen, in December 2009. The EU intends to be a **leader** in these international talks that will decide on a post-2012 climate scenario. It reiterates that the objective should be to keep global temperatures below 2 degrees Celsius, which implies for developed countries to reduce their GHG emissions by between **25 and 40% by 2020 compared to 1990 levels. By 2050**, the reduction efforts should be **up to 80-95%** compared to 1990 levels.

The EU again stated that its objective was to reduce GHG emissions **by 30% by 2020 in the event of a global and comprehensive agreement for a post-2012 period**. It calls on the economically more advanced developing countries to contribute adequately to the effort, according to their responsibilities and respective capabilities.

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