

get to grips with  
**climate  
change**



# Common Currency: Linkage Issues EU Experience

*INECE Workshop*

Washington DC , 18 November 2005

**Marco Loprieno**  
Climate Change Unit  
DG Environment  
EUROPEAN COMMISSION





# Common Currency & Compliance

- EU ETS is a compliance tool and a least-cost solution to achieve the Kyoto Protocol target
- Harmonised vital elements of compliance and enforcement (for example, penalty level)
- Other elements of compliance and enforcement decided at MS level in order to be consistent with national legislative system
- Where delegated to MS level, common approaches discussed
- EU ETS as a governance strategy



# Common Currency & Compliance

- The long-term objective is the establishment of an international carbon market
- Different ETS must be compatible
- Monitoring Reporting & Verification is a key issue, amongst others
- Ensure environmental Integrity, accuracy, cost efficiency, equity



# The ETS MR&V Legal Framework

## Monitoring & Reporting

- ETD Art. 14 & Annex IV
- MRG Decision

## Verification

- ETD Art. 15 & Annex V
- MRG Decision Annex I Section 7.4

## Penalties

- ETD Art. 16



# The EU ETS MR&V Cycle

## Ensuring Compliance

- First annual compliance cycle is running, by ...
- 31 March 2006 verified emissions data must be submitted by each company to national authority
- 30 April 2006 allowances equal to 2005 verified emissions must be surrendered
- 15 May 2006 verified emissions data and quantity of surrendered allowances per installation will be displayed on the CITL (Commission website)



# The EU ETS Monitoring & Reporting

- EU ETS Monitoring and Reporting Guidelines (MRG) adopted in 2004
- MRG Review Process has Already Started in Order to further improve Implementation & Cost-Efficiency
- MRG EU Experts Network, MRG Electronic Forum
- Capacity-building and Common Approach with MS



# The EU ETS Verification Project

- EU Verification Resource Centre
- Verification EU Experts Network, Verification Electronic Forum
- EU Verification Reference Model
- Commission Evaluation of the 1st MR&V Cycle



# The EU ETS Access to Information

- ETD Art. 17 Access to information: full emissions report must be made available
- Registry Regulation Annex XVI: verified emissions figure and quantity of surrendered allowances for each installation on the CITL
- Access over the Internet to CITL
- Name and Shame action



# The EU ETS : implementation issues

- Implementation at national level: co-ordinate MS flexibility and consistency
- Ensuring strong Compliance and Enforcement in ET is a Priority
- 2006 Crucial Year for the EU ETS: 2nd NAP process (for period 2008-12) and Completion of the 1st MR&V Cycle



# Issues to be considered in a bilateral linking agreement

## *Of more importance*

- Quality of monitoring and reporting provisions
- Registries conforming to Kyoto Protocol standards
- Currency
- Level of sanctions
- Type and stringency of environmental target
- Private sector market without governmental intervention
- Direct vs. indirect emissions approach

## *Of lesser importance*

- Sector and gas coverage
- Trading periods
- Allocation method



# The EU ETS : External Linking

- EU ETS is already linked to JI/CDM projects: 'Linking Directive' entered into force in October 2004
- Larger market increases efficiency and liquidity
- Foster multilateral approach to climate change
- Linking to other trading schemes awaits the emergence of such schemes
- EU ETS catalyst to an international trading system



get to grips with  
**climate change**

[http://europa.eu.int/  
comm/environment/  
climat/home\\_en.htm](http://europa.eu.int/comm/environment/climat/home_en.htm)



**More information on EU climate change policy**