

Practical issues for linking – an EU Perspective

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What's new and what its driving

- Stern report – October 2006 – action now is cheaper than action tomorrow
- IPCC – February 2007 –
 - Certain that Climate Change is happening
 - 90% certain that humans play a significant role.

2007 – Critical Year

- Review of the ETS Directive in Europe
 - Chance to consider lessons learned and look to the future
- Greater awareness and urgency - US in particular – RGGI and Western Region Climate Action Initiative
- Industry increasingly calling for action through market mechanisms

Therefore

- 2007 unique opportunity to shape emissions trading
- Both sides of Atlantic – will be influential beyond this region
- Need to ensure that the development of Trading Systems in US and Europe do not diverge to prevent linking in the future

What do we need to link?

- Trust
- Fairness
- Scarcity
- Communication and data exchange

Trust

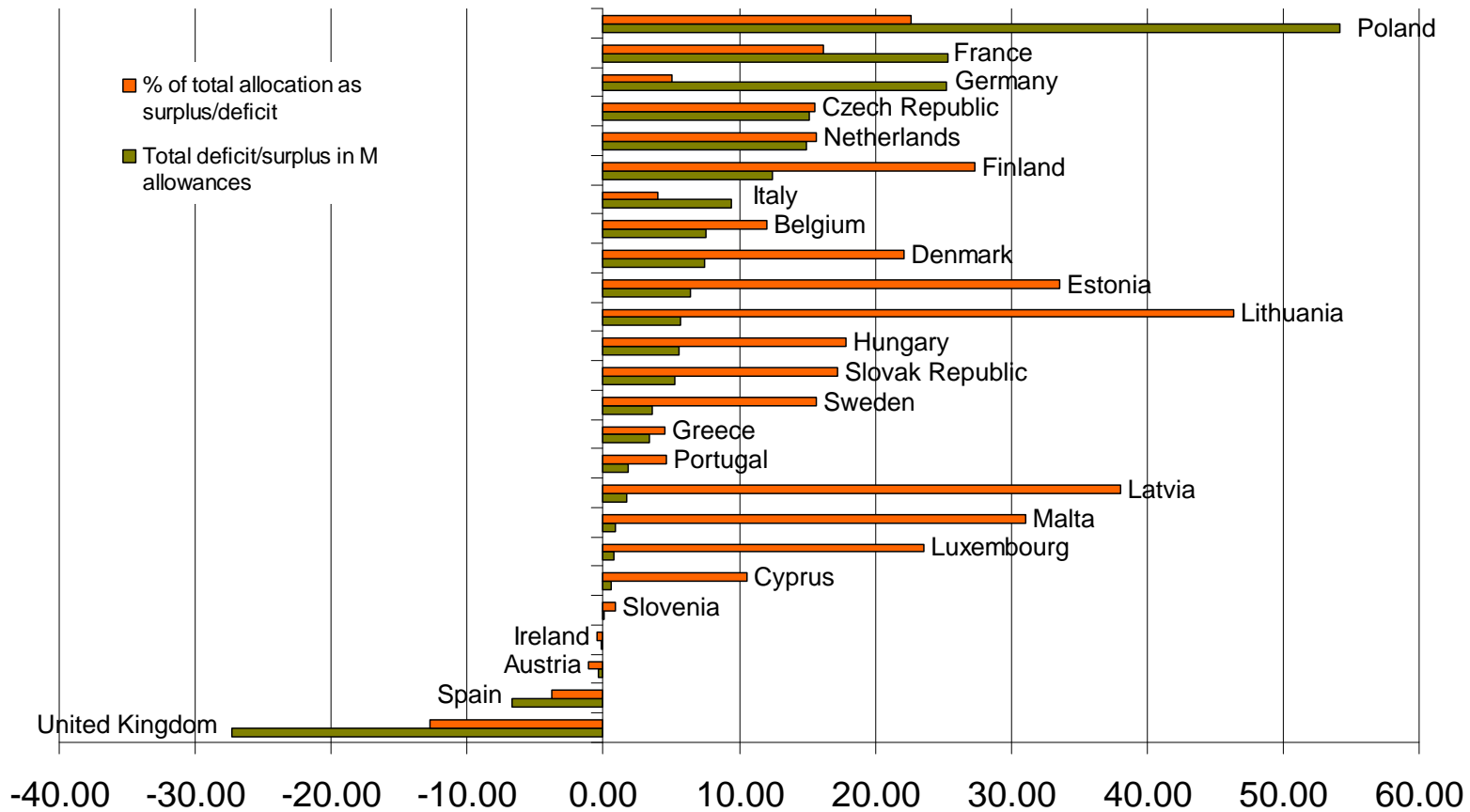
- Baselines and assumptions
- Additionality of offsets
- Compliance and enforcement
- Security of communications

Fairness

- Equivalence of effort –
 - Not net transfer of wealth from one state/nation to another
 - Allocations and scope do not provide state aid/competitive distortions
 - Bigger questions for developing economies participation.....

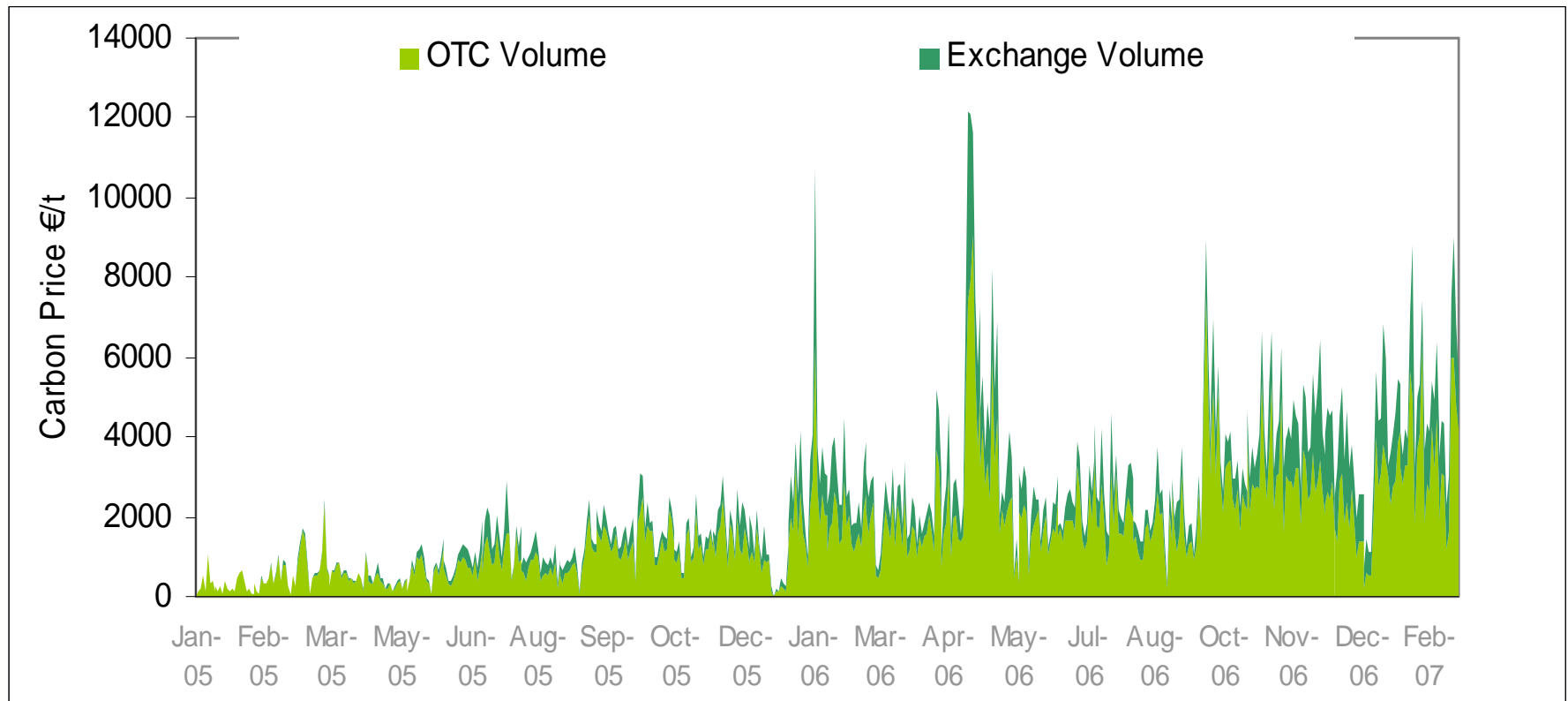
Scarcity!

- Environmental impact
- Carbon price
- Trading

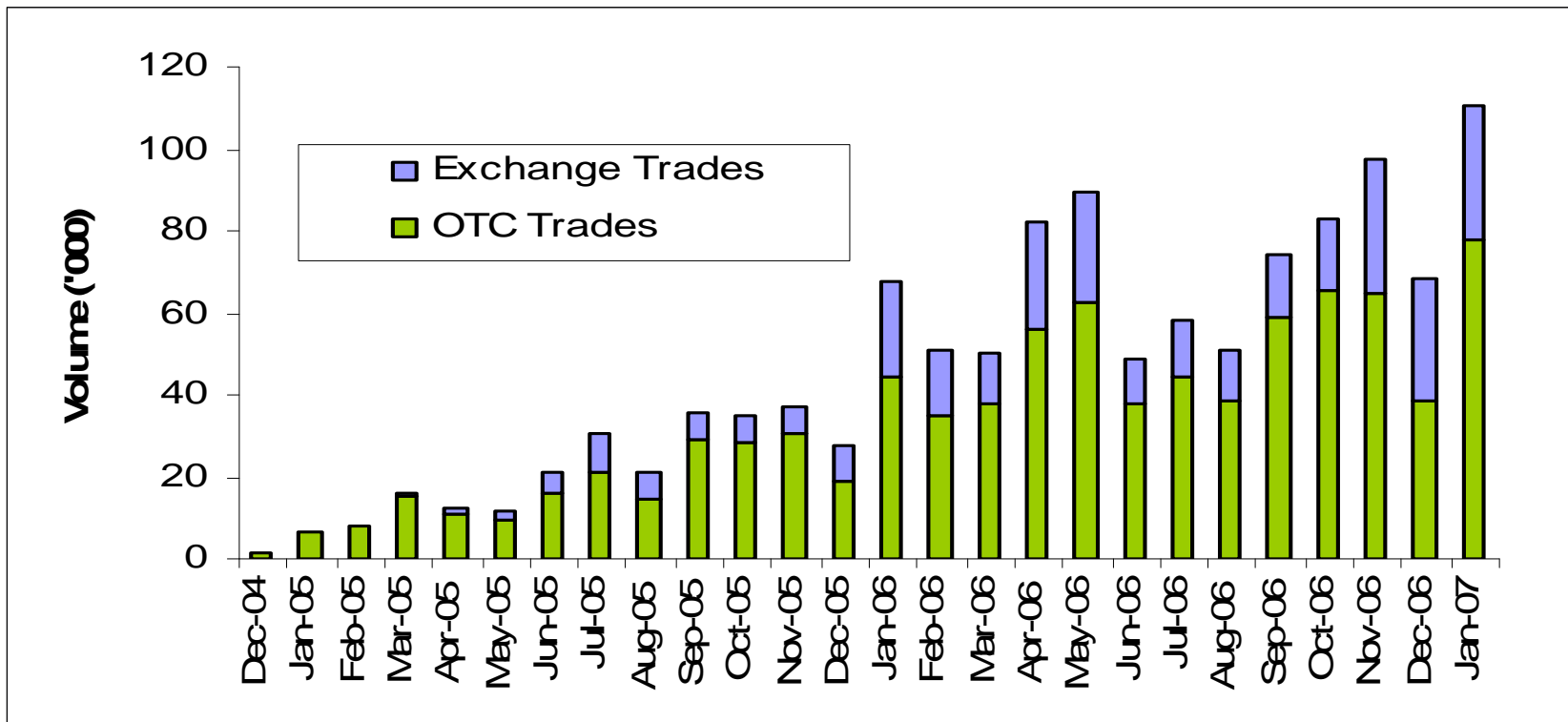


total surplus/deficit in M allowances and %surplus/deficit of total allocation

EU-ETS MONTHLY AND DAILY VOLUMES since Jan 05



EU-ETS MONTHLY AND DAILY VOLUMES since Jan 05



Communication and data exchange

- Inventories
- Registries – need common data exchange standards, a connection or interface between systems - and initialisation and connectivity tests.
- Mutual recognition of the different units, (would involve changes to C/ITL and national registry systems)
- Possibly – depending on the means of linking , a gateway to stop one system becoming flooded with units from the other

Next steps

- Communicate what we are doing and listen to what others are doing
- Look for common ground and share best practice
- Identify potential obstacles and communicate them – registries – inventories – MRV – compliance – penalties
- Sit down and work out solutions and timescales to deliver them

Contact

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Offsets consultation

<http://www.defra.gov.uk/corporate/consult/carbonoffsetting-cop/consultation.pdf>

