

Where Are We Headed?

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MRV in the EU ETS

- Another pioneering aspect
 - Different from US SO₂ precedent
 - More easily generalized to all sources
 - More analogous to MRV systems underlying world trade
 - Right direction for global regime
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A US SO₂ – EU ETS Comparison (1)

- The US CEMS approach
 - Machines that measure mass of emissions
 - Gold standard, but infeasible for small sources (2/3 of US SO₂ sources use alternatives)
 - Small sources are a larger part of the problem for CO₂ than for SO₂
 - How to capture mobile and household sources?



A US SO₂ – EU ETS Comparison (2)

- The EU ETS approach
 - Self-reporting with verification of carbon content of fuel use and process emissions
 - Readily extensible to individual use (any more complicated than income reporting?)
 - Technically feasible but costly and with little political appeal
 - Moving upstream? VAT analogy.
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Advantages of an Upstream Fuel Content Approach

- Carbon content is already being measured
 - Coal example
 - Being measured for energy supplies coming from countries with little institutional capability
 - Accomplished by private parties with little government involvement
 - The ASTM Story
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Tolerable Differences

- The formal but inconsequential differences
 - Tons vs. tonnes, LHV vs. HHV, etc.
 - Enabling myths and spurious precision
 - Is net income more precise than a baseline?
 - The unavoidable qualitative judgment on what is good enough
 - If no agreement, maybe it is a different product
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Transposing to ET: Two Distinct but Convergent Aspects

- Economy-wide MRV&E
 - A matter of institutional capability
 - Will develop over time, but we have time
 - Importance of Accession 10 in EU ETS
 - Project MRV
 - A demand-driven institutional carve-out
 - How different? Synergies?
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Concluding Thoughts

- The dual roles & importance of CDM MRV
 - Showing how and indirect linking
 - Arthur Anderson and the value of reputation
 - Important feature of EU ETS is reliance on private parties & reputation to supply MRV
 - More easily generalized and more similar to systems that underlie global trade
 - The right direction
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