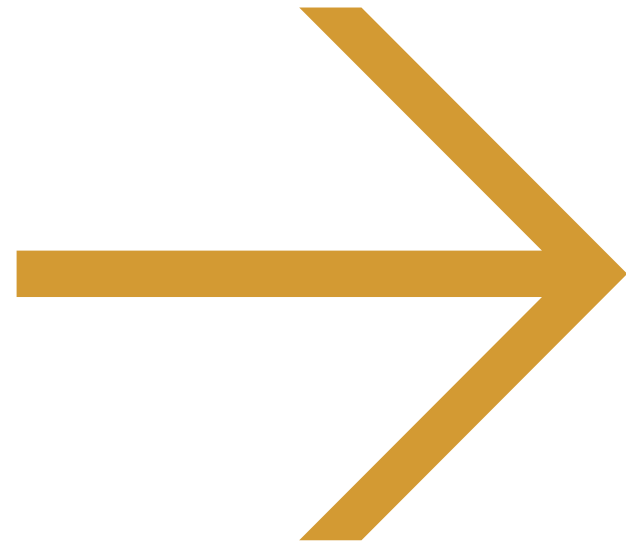


Implementation of emission trading

Towards a compliance and enforcement strategy in the Netherlands

KEES VAN KUIJEN
Netherlands' Emission Authority





Development Netherlands' Emissions Trading

- 1997: Start national discussion on NO_x emission trading
- Political decision: emissions trading as the driving instrument for NO_x emission targets of industry
- 2002: Directive on GHG emission trading
- Adjustment to integrate NO_x and CO₂ into one system and emissions monitoring structure
- 2005: Start of emission trading



What is needed?

- Proper legislative setting
- Structure for monitoring & reporting of emissions
- Registry of transfers of emission allowances
- Procedure to acquire and account for emission allowances
- Structure and authority for compliance and enforcement



Netherlands Emission Authority (NEA)

- Independent administrative organisation
- Competent authority for emission trading in the Netherlands
- Responsible for safeguarding public interests
- Tasks include:
 - validation of monitoring protocols
 - granting permits
 - inspection of independently verified emission reports
 - issuing allowances and registration of transactions
 - primacy in enforcement



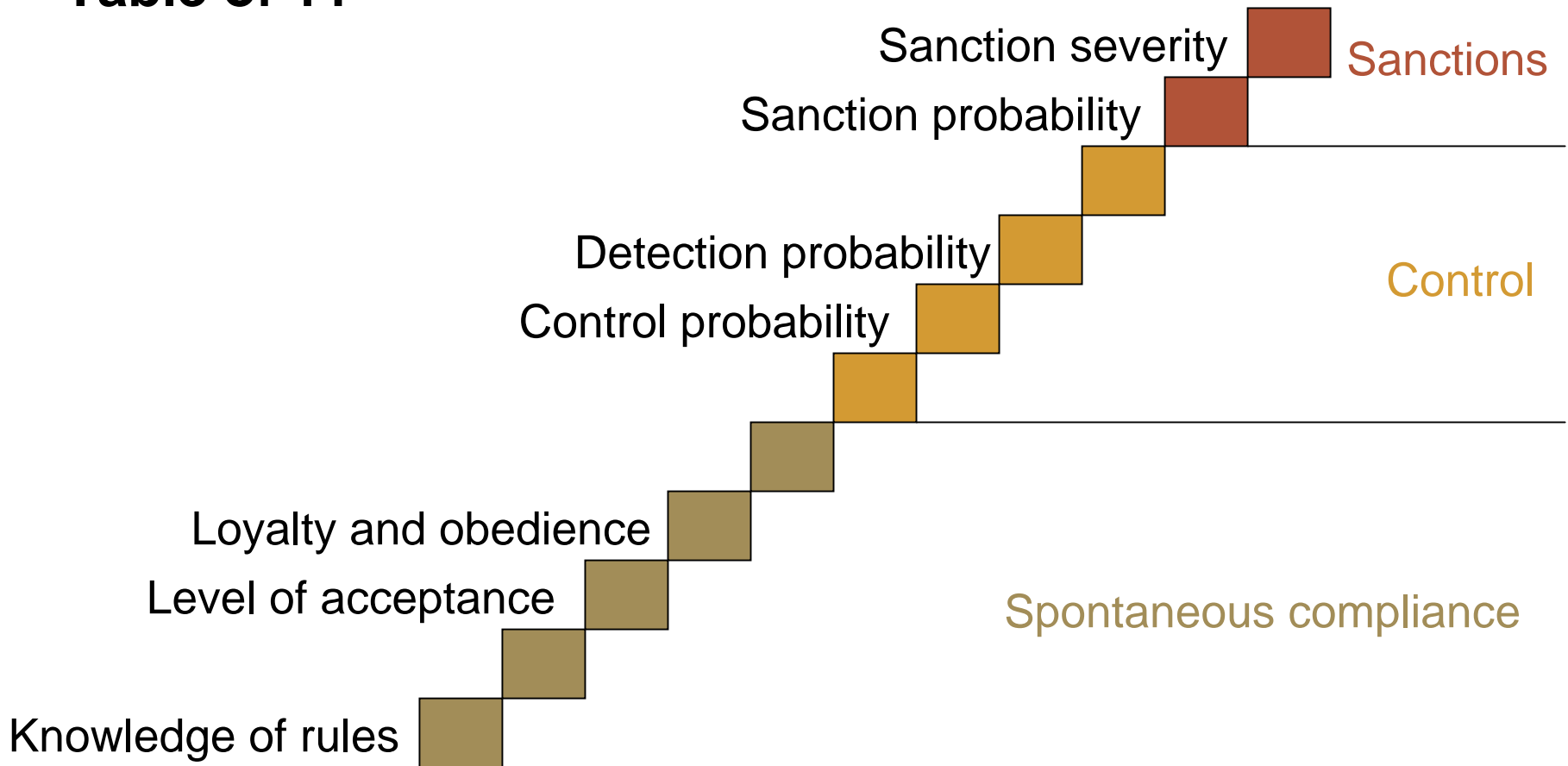
Emission trading in the Netherlands

- Proper verification of the emission reports
- Monitoring protocols regularly revised
- Cost effective enforcement and compliance strategy
- Critical risk analysis of companies' behaviour & practice
- Cooperation of the NEa with the IPPC Authorities
- Periodic evaluation



Elements of compliance and enforcement strategy

“Table of 11”





Instruments for compliance (target 100%)

- Communication
- Clarity in monitoring structures
- Promotion high level of acceptance regulations

- Regular and effective control
- Strict actions in case of non-compliance



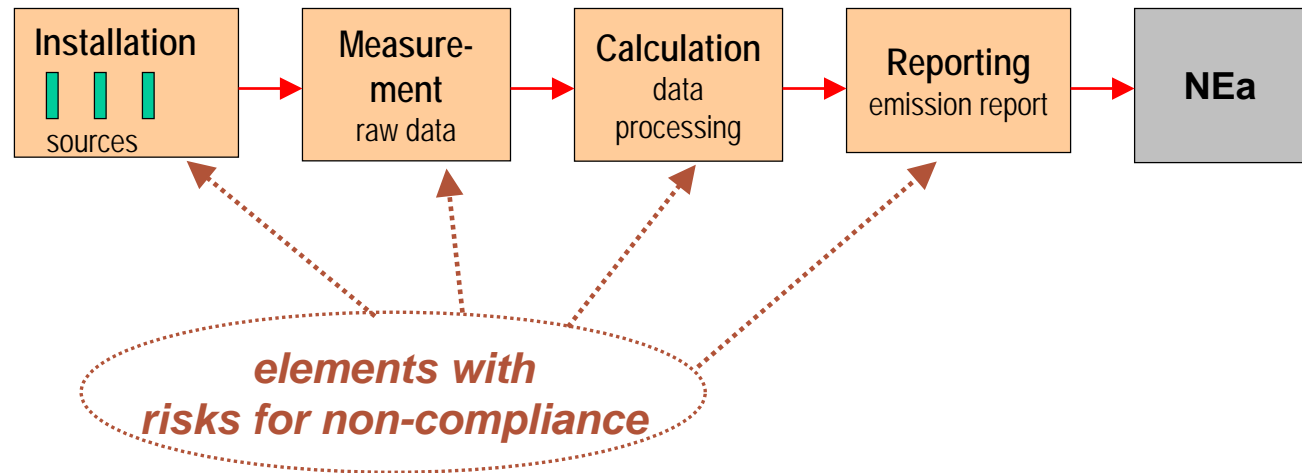
Towards an enforcement and compliance strategy

1. Objective: minimizing the risks of non-compliance
2. Elements:
 - Risk analysis, focus on emission monitoring and reporting procedures
 - Learning from national and international experiences (Provinces, US, UK)
 - Feedback from industrial stakeholders
 - Implementation in the organisation of the NEa and its work processes
3. Active involvement of Competent Authorities (IPPC) and the Public Prosecution



Emission monitoring and reporting

*Primary dataflow
From the source to the NEa*



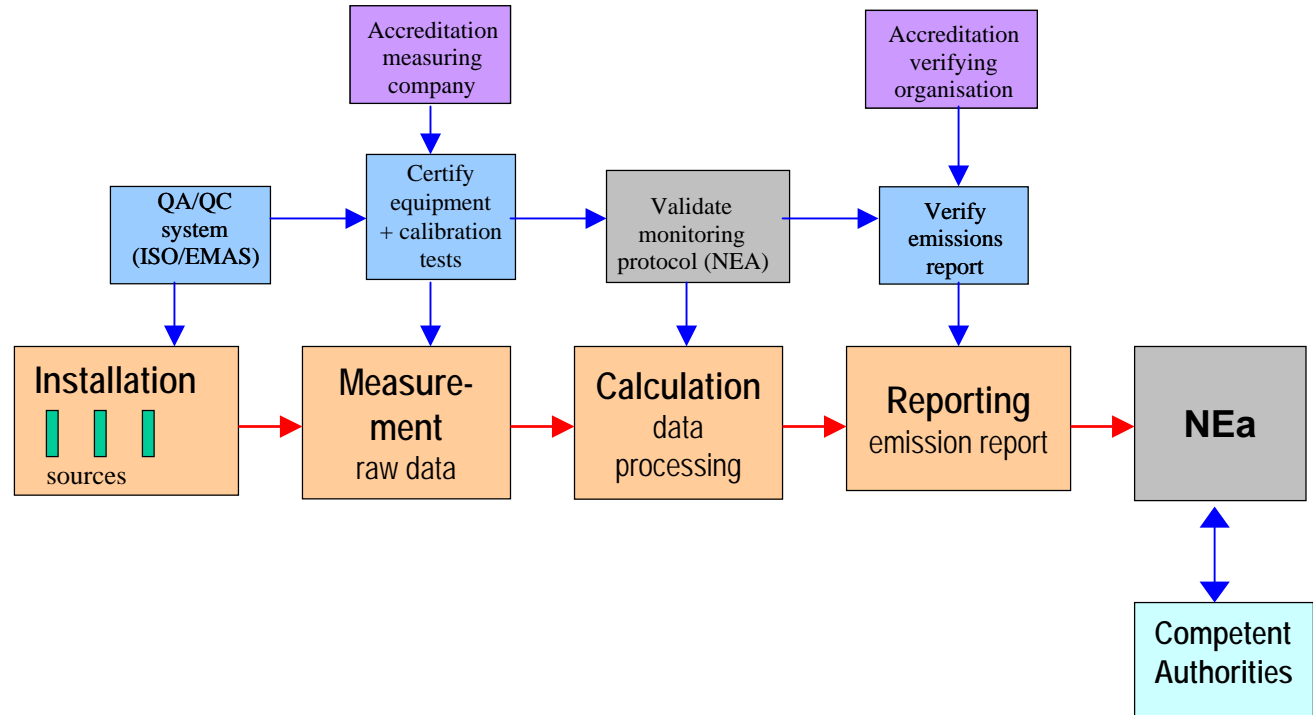


Emission monitoring and reporting

Accreditation

QA/QC

monitoring and reporting





Compliance strategy: Inspection and Control

Two kinds of inspections:

Regular inspection:

seek balance

In-depth review:

- Check **monitoring protocol**
- Varying from 1 to 3 day, 1 person
- Main focus: procedures and QA/QC
- Visit all companies in 3 year period
- Frequency depending on complexity

- Check on **(raw) data**
- Dedicated review teams
- Track down the origin of the data
- 1% - 5 % of the companies/year
- Selection companies based upon risk analysis



Compliance strategy: Sanctions

Non compliance

**A. Operating without permit
fine**

B. Exceeding allowance

C. Exceeding deadline MP

D. Exceeding deadline ER

E. Non compliance monitoring

F. Violations by Verifying org.

G. Non compliance (in general)

Penalty

A1 Penalty (€) on a timely basis and/or

B1 Compensation

B2 Administrative fine

C1 Penalty (€) on a timely basis

D1 Penalty (€) on a timely basis

D2 NEa sets emission values

D3 Blocking transactions

E1 Penalty (€) on a timely basis

E2 Administrative fine

F1 Losing acknowledgement

G1 Naming and shaming

G2 Procecutiun



Implementation: envisaged size NEA

- 11 fte inspection and enforcement
and:
- 1 fte general management (director)
- 3 fte staff (communication, ICT, ...)
- 1,5 fte permitting & validating monitoring protocol
- 1 fte registration emission trading
- 6 fte administrative support

25 fte total

400 facilities

1fte = full time equivalent



Conclusions

- Strict enforcement is essential for the success of emission trading
- Stimulate spontaneous compliance by:
 - transparency of monitoring structure
 - communication
 - creation of high level of acceptance
 - regular inspections
- Create EU wide information exchange on:
 - inspection strategies
 - data management
 - good practices
- Design a *common inspection protocol* at European level