



GHG emissions trading in Europe: compliance and enforcement

Oxford, 17 March 2004

Jürgen Lefevere

DG Environment, European Commission

Climate Change & Energy Unit



Introduction

- **EU ETS is a compliance tool that allows the EU to achieve the KP targets in a cost-effective manner**
- **25+ national GHG trading schemes with *harmonised* elements**
- **Harmonisation of compliance and enforcement: subsidiarity!**



Key terminology

- ***Member States:*** 15 current EU members + 10 accession states (1 May 2004) + EEA?
- ***Installations:*** unit where one or more Annex I activities take place (regulated unit)
- ***Operators:*** person who operates or controls installation (legally responsible)
- ***Permits:*** conditions for participation
- ***Allowances:*** right to emit one tonne of CO₂ equivalent (“currency”)



The ETS: Regulatory architecture

Kyoto Protocol

Marrakech Accords

Ratification Decision

Monitoring & Implementing Decision

Emissions Trading Directive

Linking Directive

Allocation guidance

Monitoring & Reporting
guidelines

Registries Regulation

Member States Legislation



The ETS: Compliance hierarchy

Kyoto Protocol



EU



Member States



Installations





Harmonized compliance and enforcement elements

- **Monitoring & reporting**
 - Article 14 & Annex IV ETD
- **Verification**
 - Article 15 & Annex V ETD
 - M&R guidelines
- **Penalties**
 - Article 16 ETD



Monitoring & Reporting

- **Annex IV ETD: Principles for monitoring and reporting**
- **Article 14 ETD:**
 - Commission to adopt guidelines for the monitoring and reporting of emissions from Annex I activities, based on Annex IV principles
 - Member States ensure that emissions are monitored and reported annually in accordance with these guidelines
- **Guidelines approved by Regulatory Committee in November 2003 – adopted by Commission on 29 January 2004**



Monitoring & Reporting

- **Key M&R principles from the Directive:**
 - “Guidelines” are mandatory
 - Core monitoring and reporting requirements must be included in the installation’s permit
 - Biomass has an emission factor of zero
 - Calculation or measurement (supported by calculation)
-



Monitoring & Reporting

- **The guidelines:**
 - **11 Annexes:**

General guidelines (Annex I), guidelines on combustion emissions (Annex II), guidelines on specific activity sectors (Annex III-XI)
 - **Focus on calculation (measurement allowed):**

(total emissions = activity data * emission factor * oxidation factor)
 - **Tier-based approach**



Monitoring & Reporting

Tier-based approach:

- **Concept: Introduction of flexibility for monitoring for different types, sizes and ages of installations**
- **Highest tier = most accurate monitoring**
- **Use highest tier unless unreasonable costs or technically not feasible**
- **Provides a structured and transparent approach to characterize & improve monitoring methodologies**

$$\text{CO}_2\text{-emissions} = \text{activity data} * \text{emission factor} * \text{conversion factor}$$

Tier 1 Tier 2 Tier 3 Tier 1 Tier 2 Tier 3 Tier 1 Tier 2



Verification

- **Submission of annual verified emission reports**
- **If verified report not submitted by 31 March each year: operator transfers blocked**
- **Criteria for verification Annex V**



Penalties

- Requirement to annually surrender allowances for verified emissions (30 April)
- Penalties of €100 / tonne (€40 / tonne from 2005-2007) for failure to do so
- Plus the obligation to surrender ‘missing’ allowances in the subsequent year
- Publication of names of operators in breach of requirement to surrender sufficient allowances (“*name and shame*”)



Non-harmonised compliance & enforcement elements

- **Details verification framework:**
 - Accreditation rules for verifiers
 - Detailed verification standards
- **Member States must set penalties for other breaches of trading rules:**
 - Non/late submission of verified emissions report
 - Fraud etc.

Further harmonisation needed?



Conclusion

- **Compliance key for successful trading, more so than with ‘standard’ environmental legislation**
- **Monitoring, reporting, verification and penalties: core rules harmonised, but further implementation by MS needed**
- **Coordination of other elements?**



More information:

**European Commission
Climate Change Homepage**

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