

EMISSIONS TRADING

INECE CONFERENCE ON TRADING

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In the 1999 presentation to Government, UK businesses represented in the UK Emissions Trading Group argued persuasively that;

- Emissions trading was a mechanism for delivering environmental benefits in a cost effective way;
- Emissions trading to deliver absolute caps on emissions
 - great advantages over other economic instruments
 - outcome was assured
 - Government certain that emissions would not exceed the pre-determined limit.
- Trading of permits would
 - provide flexibility to companies in meeting targets
 - create information about the abatement cost for greenhouse gas emissions
 - encourage investment in technologies and process to achieve lower emissions more effectively
 - be important in the longer term as the challenges of meeting climate change targets became more demanding.

Benefits for the early establishment of a UK carbon trading market;

- Real reductions in greenhouse gases
- Significant contribution to UK climate change objectives
- Competitiveness and flexibility of UK Business maintained and enhanced
- Industry and Government to obtain good information about greenhouse gas abatement costs;
- UK to gain valuable experience and be in the forefront of establishing emissions reduction policies;
- UK to secure international standing – influence on the outcome of international negotiations;

Benefits for the early establishment of a UK carbon trading market cont'd.....

- The City of London to establish a lead in emissions trading markets;
- Certainty in progress towards meeting more demanding emissions reductions
- UK business encouraged to participate and invest in lower carbon technologies and processes;
- Absolute targets would increase confidence that UK business was making a significant contribution

ETG worked closely with Government in encouraging the development of;

- Monitoring and reporting protocols for
 - six greenhouse gases
 - process emissions
- An accreditation scheme operated by the United Kingdom Accreditation Service (UKAS)
 - Self-standing verifiers responsible for confirming emissions baselines
 - Annual achievement against absolute target of the 34 direct participants in the UK scheme
- Equivalent verification regimes for the 5,500 companies and a 80% discount on the Government's energy tax, the Climate Change Levy
- An effective and transparent electronic Registry to record ownership
- Compliance and transfer of emission allowances via separate compliance and trading accounts.

CONCLUSIONS

- UK has taken the lead in the area of compliance and enforcement.
- The EU has sought to follow the UK Experience on Monitoring Reporting and Verification.
- The should critically result in a higher level of integrity.
- Phase II. 2008-2012 likely to be stricter.
- Our experience is giving us first more advantage.
- Important that regulatory regimes co-operate.

UK NAP: SUMMARY POSITION

- UK Government published a draft NAP for phase one of the EU ETS (2005-2007)
 - Published on 19th January 2004
 - Deadline for comment 12th March 2004
- The NAP to be submitted to European Commission by 31st March 2004
 - Considered from the standpoint of principle rather than detail
- The Commission accepts that;
 - Numbers submitted by 31st March are preliminary
 - Current consultation with sectors may continue through to September when allocations are made

UK NAP: SUMMARY POSITION cont'd....

- The UK NAP as published on 19th January envisaged;
 - An overall cap representing a 16.3% CO² reduction by 2010
 - A total reduction of 2m tonnes of carbon from emissions trading by 2010
 - 0.5m tonnes from UK ETS
 - Balance of 1.5m tonnes from EU ETS
 - Business as usual (Government remodelled) emissions projections for the non electricity supply industry (ESI) plus an additional 1.5m tonnes reduction for the ESI
 - Allowances to be grandfathered on a five year period 1998 – 2002,
 - disregarding the lowest year
 - Averaging the four remaining years
 - 6% set-aside provision for new entrants from all sectors including a ring-fenced element for CHP

UK NAP: SUMMARY POSITION cont'd....

- The UK NAP as published on 19th January envisaged;
 - Set-aside allowances remaining at the end of each year
 - Available to all through an auction process
 - Plant closure
 - Installation keeps all remaining allowances for the year of closure
 - Loses entitlement to allowance for future years
 - No banking between the 1st and 2nd phase
 - Consultation on optional temporary exclusion/opt-out provision for DPs and CCA participants
 - Those who opt-in retain DP incentive for years 1-3 and CCA discount