Climate Action
Energy for a Changing World

資料２

The EU Emissions Trading Scheme- EU ETS

Presentation to the Emission Trading Subcommittee of the Central Environment Council, Tokyo, 14th June 2010

Vicky.Pollard@ec.europa.eu

This Presentation

The EU ETS:

- ★ Part 1: an essential part of a wider package of climate and energy policies
- ★ Part 2: it’s working and improving: lessons for better systems
- ★ Part 3: building block of the international carbon market

1. The EU ETS: an essential part of a wider package of climate and energy policies

Climate Action
Energy for a Changing World

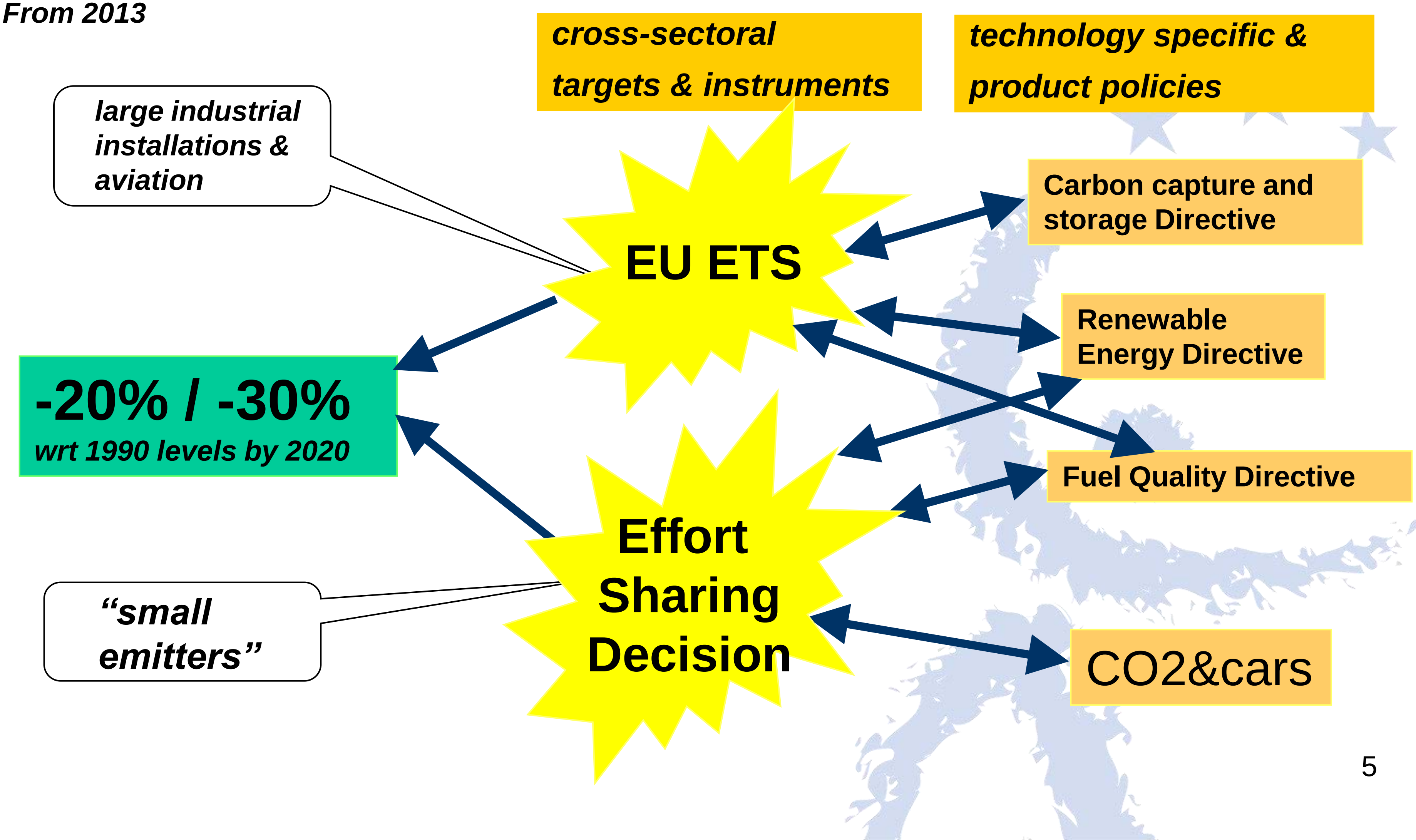
EU ETS basics

- Mandatory system in place since January 2005
- Environmental outcome guaranteed: cap on emissions from ~11,500 energy-intensive installations across EU
- Covering around 50% of EU CO_2 emissions
- Direct: regulated at source of pollution
- Essential infrastructure established: EU allowance registry, MRV, compliance and enforcement
- Use of international credits within quantity and quality limits
- Simple market system- no price intervention

Climate Action
Energy for a Changing World

EU ETS part of a larger Climate & Energy Policy Package

From 2013



Climate Action
Energy for a Changing World

GHG Target by 2020:

-20% compared to 1990

-14% compared to 2005

EU ETS
-21% compared to 2005

Non ETS sectors
-10% compared to 2005

27 Member State targets, stretching from -20% to +20%

Climate Action
Energy for a Changing World

Sectors covered

- **Began focussed on large direct emitters of CO2:**
  - **Power generation and other large combustion installations >20MW**
  - **Refineries**
  - **Iron and Steel production**
  - **Cement**
  - **Pulp and paper,**
  - **Lime, Glass, Ceramics**
- **Expanding:**
  - **From 2008, emissions of N2O from fertiliser production**
  - **From 2012, aviation in and to/ from EU (with no double-coverage where equivalent measures taken abroad)**
  - **From 2013, new large industrial emitters (certain chemical sectors and aluminium, emissions of PFCs)**

2. The EU ETS is working and improving: lessons for better systems

Climate Action
Energy for a Changing World

Phased Approach

Phase 1: 2005-2007
- Learning by doing
- Cap too generous
- Market up and running

Phase 2: 2008-2012
- Kyoto commit ment
- Robust data
- Tighter cap
- Use of CDM/ JI

Phase 3: 2013-2020
- Revised legislation
- EU wide-cap
- Improved allocation, with auctioning becoming default over time
- 50% of auction revenue for climate action

Phase 4: 2021-…
- Cap continues to decline at -1.74% pa
- 100% auctioning by 2027

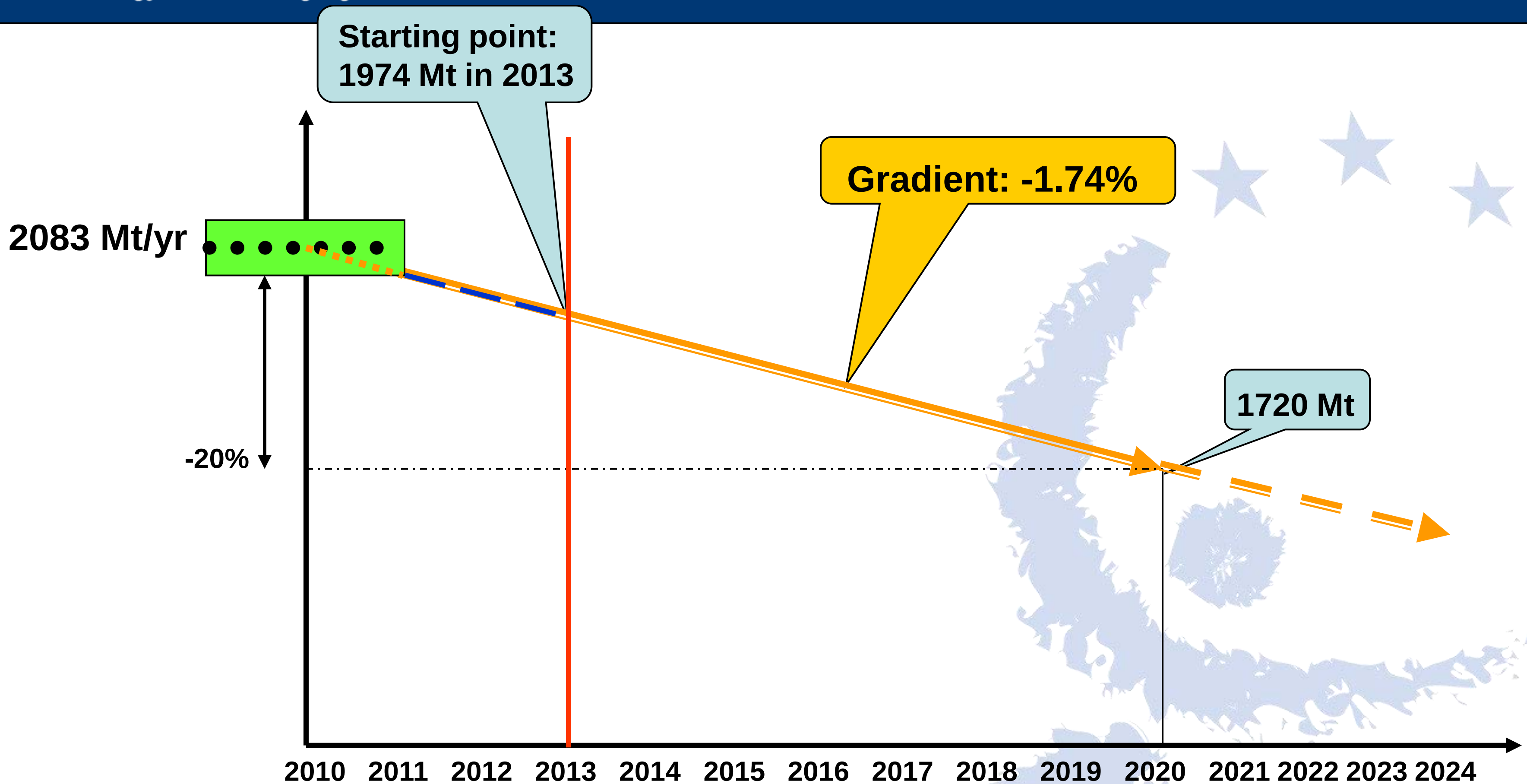
No end date in the legislation

Evidence

The EU ETS works:

- Reductions in verified emissions under Phase 2
  - **-3% in 2008, strong carbon price prior to economic downturn, Small effect of recession in end 2008 (although overall EU growth of 0.8%)**
  - **-11.6% in 2009, due to recession, low gas price but also changes in behaviour due to EU ETS**
- Point Carbon Surveys
  - **In 2006 5% of participants took future cost of carbon into account for investment**
  - **By 2007 this had risen to 65%**
  - **By 2010, long term carbon price a decisive factor for new investments for 47% (61% for large polluters). 54% say 'EU ETS has already caused emissions reductions in my company'.**

EU-wide cap from 2013, more certainty into the future



- **Linear factor to be reviewed by 2025**
- **Aviation to be included; will change figures correspondingly, but cap not reduced**
- **Disclaimer: all figures are provisional and do not account for new sectors in third period**

More lessons

- Good data (MRV) needed for installations covered
- Auctioning is preferred allocation method: simpler, avoids windfall profits, revenues for public purposes, rewards early action
- No empirical evidence of carbon leakage
- Use of international credits for cost containment (within limits) and free allocation to address risk of carbon leakage
- Carbon price is no more volatile than related commodity prices
- Keep it simple!

3. The EU ETS: building block of the international carbon market

Climate Action
Energy for a Changing World

A robust international carbon market

- In parallel to and supporting the UN process
- To get as close as possible to an international price for carbon
- As an important source of climate finance- up to €38 billion/year in 2020 with robust market

Climate Action
Energy for a Changing World

Building a robust international carbon market

- Through bottom up linking of cap and trade systems in developed countries
- OECD wide market by 2015- transatlantic market as first step
- Inclusion of advanced developing countries and competitive sectors by 2020
- Reform of CDM, focus CDM on LDCs, replacement over time by a more ambitious sectoral mechanism for advanced developing economies and sectors
- Sectoral crediting as a stepping stone to ETS

Working together

- On compatible cap and trade systems that can be linked in the future
- On coordinating recognition policy: which international credits are allowed for compliance:
  - to leverage more ambitious climate action in other parts of the world
  - Because two systems accepting the same international credits will be linked through these credits

- EU ETS:
  - 1.6 Gigatonnes of guaranteed demand for international credits for 2008-2020
  - Possibility to restrict access by type

- Other ETS allow use of offsets/ credits and have provisions for quality control (e.g. US bills up to a maximum of 1.5 gigatonnes per year under Waxman-Markey)


YOU CONTROL
CLIMATE CHANGE.
TURN DOWN. SWITCH OFF. RECYCLE. WALK. CHANGE