資料３

UK market based instruments for tackling energy and CO_2 – lessons learned

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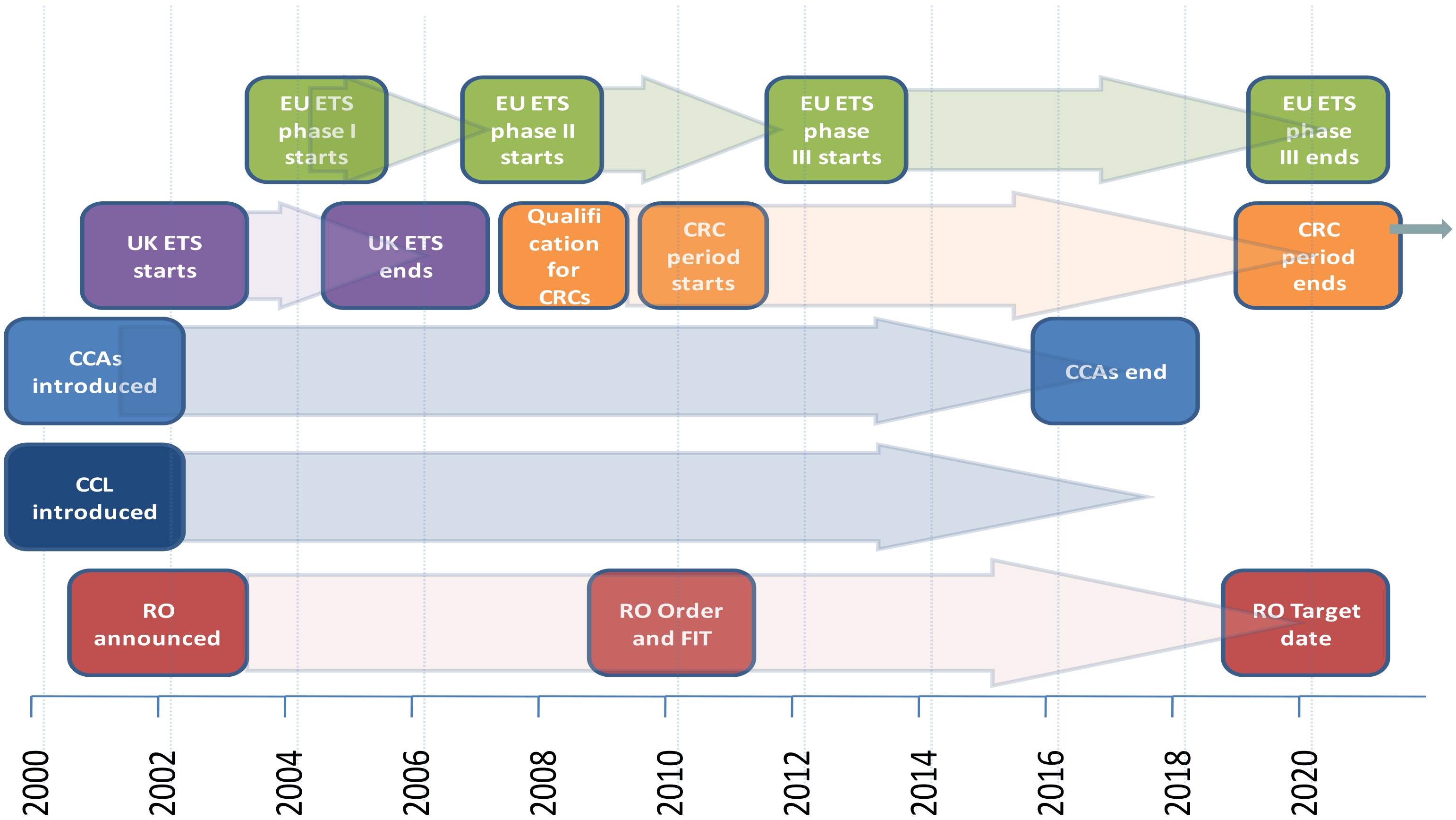
Evolution of UK policy over time



2001: testing the market ...
Climate Change Levy and Climate Change Agreements

Rationale	Address competitiveness concerns regarding CCL Incentivise energy efficiency by providing direct incentive for industry
Design	Negotiated energy efficiency targets with CCL discount 54 sectors, 8750 facilities (56% industrial energy) Ex-post "baseline and credit" trading Self-regulation with sample audits
Performance	Energy cost savings over £1.7bn a year (plus savings on CCL of £250m) Targets had to be reviewed and tightened twice during 10 years
Lessons Learned	Importance of energy efficiency raised to board level Risk of losing tax reduction powerful stick Role of sector associations in setting targets and overseeing compliance

2002: first "cap and trade" system ...
UK Emissions Trading scheme

Rationale	Cost effective emissions reductions Early experience of cap & trade Establish City of London centre for trading
Design	First economy wide trading scheme 2002 to 2006 33 voluntary participants bidding for £198m incentive fund to take on binding targets
Performance	First 5 years: 16.1Mt CO_2e reductions Links to CCAs trading Over-supply renegotiation of targets in 2004
Lessons Learned	Infrastructure for trading developed Capacity building :trading community established But, only a pilot, EU ETS provided a greater opportunity

2010: filling the gaps
Carbon Reduction Commitment

Rationale	Address information failures in firms and lack of incentives to become more energy efficient; Complement the carbon price
Design	Mandatory cap and trade in large commercial and public organisations League tables as reputational driver Full auctioning with revenues to reward performance
Performance	Aims to save at least 4MtCO2 a year and £1bn in energy savings by 2020
Lessons Learned	Still potential to use innovative approaches Wait and see ...

Lesson 1: ambitious, fair and transparent targets are vital but difficult to get right ...

UK experience

All schemes featured by lack of data hence **over allocation at the beginning** – e.g. EU ETS – targets at BAU – price collapse. Good data on costs and BAU aids negotiations over time

Experience in CCAs of difficulties of **baseline setting** – theoretical **knowledge imbalance** between industry and government – in reality industry not always aware of potential.

Lesson 2: strong incentives necessary for compliance and accurate reporting – but think about reducing burdens on industry

DEPARTMENT OF ENERGY & CLIMATE CHANGE

UK experience

EU ETS: strong penalties set centrally; enforcement delegated to agency with facilitative but rigorous compliance policies

CCA: Good MRV track record. Sample audits; trade associations collecting information. Very low error rate. In built compliance incentives (tax rebates)

CRC: has good elements of MRV learned from other schemes; minimum inclusion threshold, self certification . League table provides name and shame driver

Lesson 3: possible to combine wide and deep coverage across schemes to maximise performance...

UK experience

EU ETS: upstream from large energy sources; absolute targets guarantee carbon reductions

CRC: downstream; behavioural barriers; energy efficiency; absolute targets – in other sectors not covered by EU ETS

Lesson 4: government and industry need to consider capacity needs at all levels

UK experience

CCAs: technical assistance provided by external consultants throughout history of scheme. Trade associations primary go between on target setting and management of scheme.

UK ETS/CCAs and **EU ETS**. Stakeholders played vital role in scheme design and implementation. Largely through Emissions Trading Group who played active role on all schemes mentioned.

Lesson 5: Industry needs policy certainty, but government needs to "learn by doing"

UK experience

The **EU ETS** has good review points for significant changes – introduction of banking and borrowing, transition from grandfathering to benchmarking; auctioning; new sectors.

The **UK ETS** and **CCAs** could have benefited from in built review points. All schemes benefit from ex post evaluation