

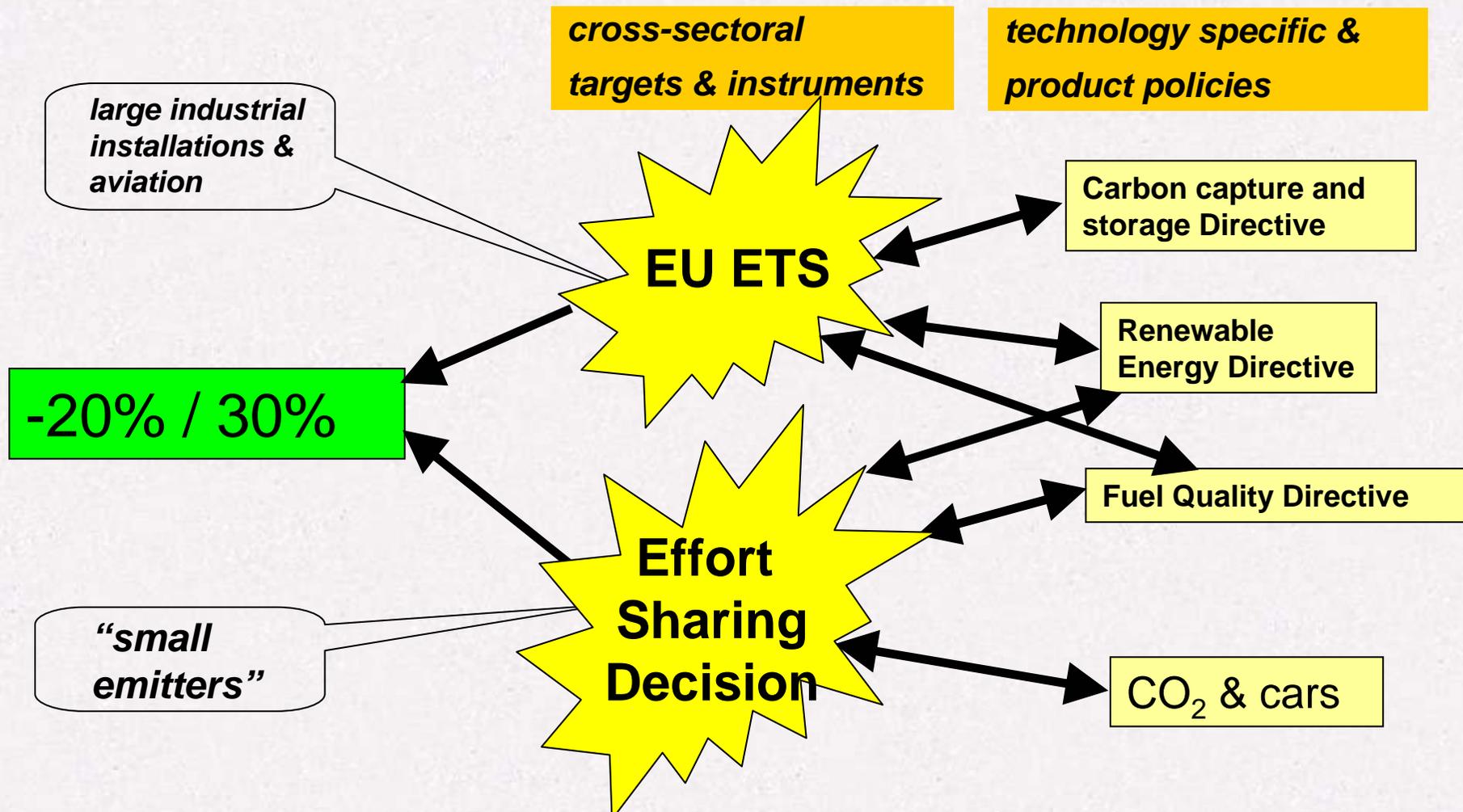


The EU's Climate and Energy Package – ETS in focus

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- World Forum on Energy
Regulation IV
Athens, Greece

The Package at a glance



Shared effort

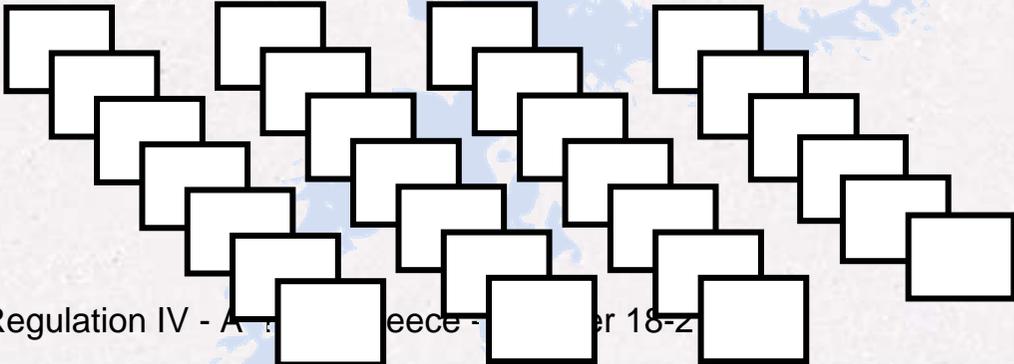
**GHG Target:
-20% compared to 1990**

-14% compared to 2005

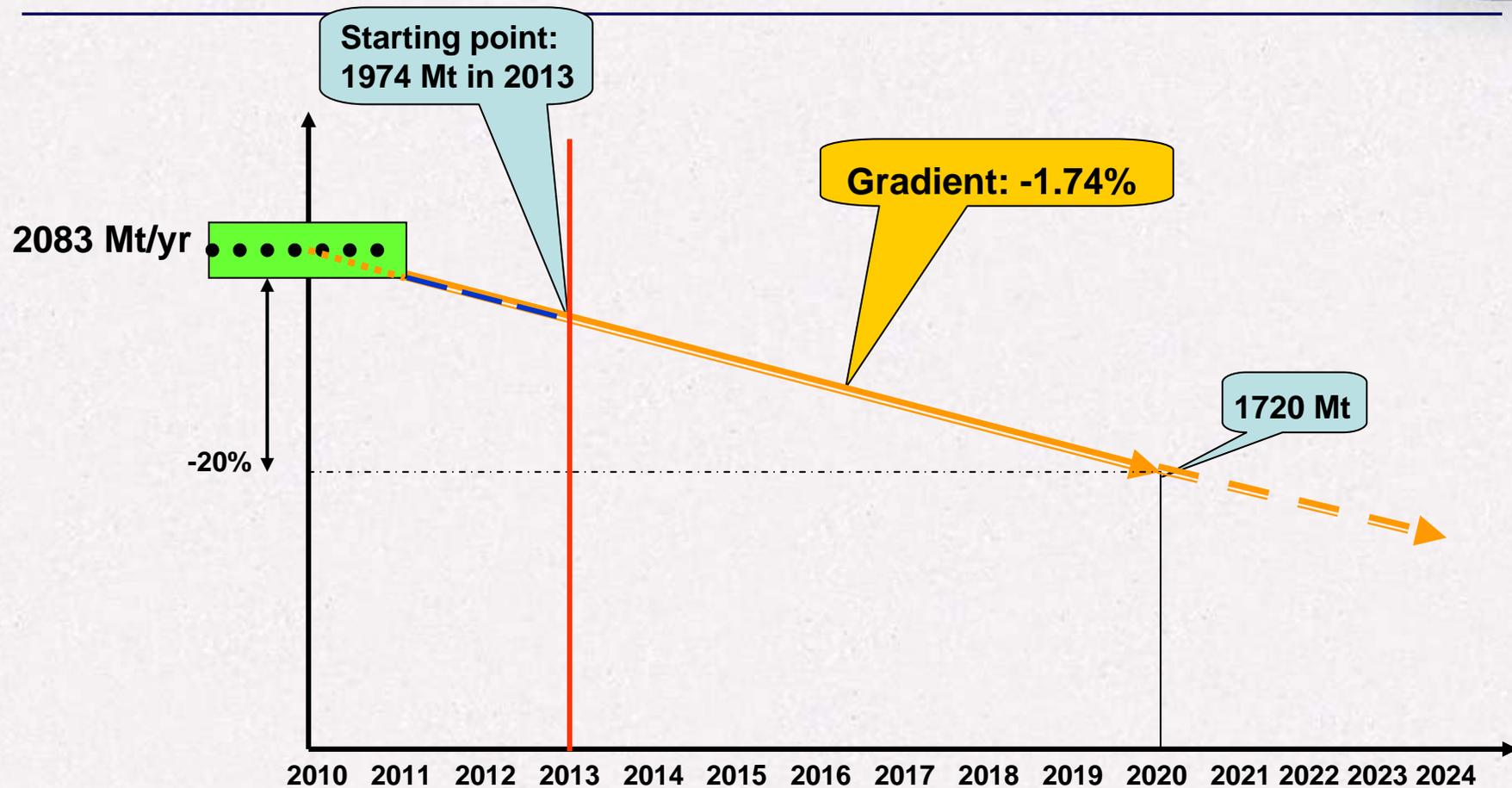
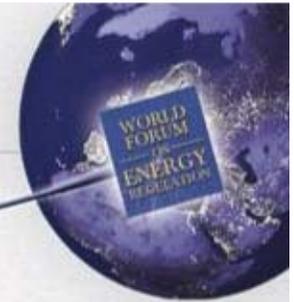
**EU ETS
-21% compared
to 2005**

**Non ETS sectors
-10% compared to 2005**

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



Primary feature of the new ETS: A robust EU-wide cap



- 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**

Insert Your Name: World Forum on Energy Regulation IV - Athens, Greece - October 18-21, 2009

Harmonised Allocation Rules



- Auctioning is default allocation method
 - **Simple and efficient**
- Transitional free allocation
 - **Benchmarks (average of 10% most efficient installations)**
- Phasing out free allocation for sectors not exposed to risk of carbon leakage
 - **80% in 2013 – 30% in 2020 – 0% in 2027**

“Carbon leakage”



- Carbon leakage: When production is moved out of the EU to places with less ambitious climate policies
 - **List of exposed (sub-)sectors to be determined by December 2009**
 - **“100%” free allocation**
 - **Review every five years, but first ...**
 - **... a review after Copenhagen – may adjust percentage of free allocation and/or introduce other measures**

International offsets from CDM/JI: a stepping stone towards wider use of cap-and-trade



- Role of offset credits
 - **Capacity building**
 - **Means to comply with targets within the EU**
- On quantity
 - **Roughly 6% of phase 2 and 3 caps - > 1.6 to 1.7 Bt over 2008-20**
- On quality
 - **Harmonised approach**
 - **Real reductions, sustainable development**
 - **International agreement and reform of CDM**

Linking



- Revised rules allow linking with any compatible mandatory GHG emission trading system with absolute emission caps, in any country or in sub-federal or regional entities
- EU ETS and future US ETS – twin engines to drive OECD-wide market by 2015
- Further emission trading systems under development/ consideration in Australia, New Zealand, Japan, Canada

Emissions trading vs. taxation



- Emissions Trading for industrial sectors
 - Limited number of relatively large sources
 - Flexible – allowance price moves with economic cycle – element of economic stabilisation
 - Action at EU-level necessary to ensure good functioning of the internal market
- Taxation for non - ETS sectors
 - Many small and dispersed sources
 - Main action at Member State level