

# Improving the EU ETS for the climate

## NGO perspective on the ETS review: SCOPE

Matthias Duwe

Climate Action Network Europe



## Who we are

- Climate Action Network (CAN) is an international coalition of over 400 NGOs united by the common goal to stop dangerous, human-induced climate change
- CAN-Europe represents more than 100 member organisations in the EU25 and beyond
- CAN-Europe and its members have been following the formulation and implementation of EU climate change policies and act as observers at the UN negotiations
- EU ETS design and implementation one of our main areas
- The Brussels office aims to act as a bridge between the national groups and the European institutions.



## Main structure

- Purpose of the review: ETS post-2012
- Criteria for the review: improving the ETS
- Adding sectors/gases? Case-by-case evaluation

Stormy voyage for flagship of EU climate policy so far

- Importance of the system in current package of policies
  - ETS main tool to achieve reductions 2008-12 (and cost-efficiently)
  - ETS sends signal to the rest of the world
- Current experience:
  - Implementation reveals shortcomings
  - Design flaws need to be addressed



## Making the ETS fit for reductions beyond 2012

- Key areas for the review:
  - ✓ Target-setting: ensure absolute reductions, long-term
  - ✓ Allocation: auction, harmonise
  - ✓ Linking: domestic action to drive innovation
- Climate change (and business operations) demand long-term perspective: 2008-12 => 2015 => 2020 => 2030 => 2050
- General rule: any change to the system must make it more reliable in ensuring absolute emissions reductions

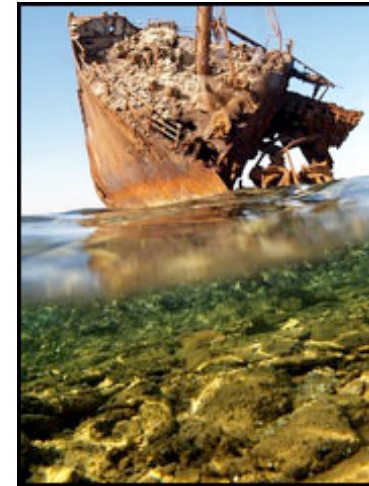
# Purpose of the review



What future for the EU ETS?

Smooth sailing towards deeper cuts beyond 2012?

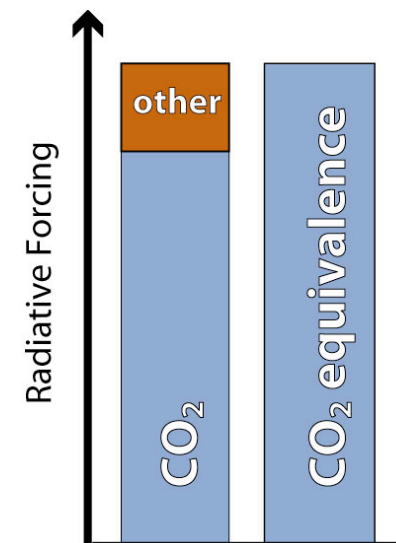
Or: risk running it aground, ETS lost at sea (= no reductions?)



## Considering other sectors and gases - general

- Absolute reductions in all GHGs necessary
- All sectors must contribute to the emission cuts
- Suite of policies and measures needed, no silver bullets
- ETS inclusion one possibility among many
- Overall sustainability of EU climate policies important: non-carbon environmental impacts important, both + & -
- Case by case evaluation is necessary

Conversion Table for > 2100	
CO <sub>2</sub> (ppmv) + other GHG + aerosols	CO <sub>2</sub> eq (ppmv)
350 + other	≈ 400
390 + other	≈ 450
470 + other	≈ 550
550 + other	≈ 650



## Criteria for environmental assessment of inclusion in the ETS

- Clear added value in terms of additional reductions (trend, potential)  
⇒ no “hot air” of previous reductions due to other factors
- Impact on other policies?  
⇒ no weakening of existing measures
- Stringent Monitoring, Reporting and Verification  
⇒ simpler for large point sources
- Expansion must fit review purpose of improving the ETS  
⇒ harmonised EU wide approach on targets and allocation



# Criteria for the review



Positions partially based on  
IEEP report on inclusion of  
non-CO2 gases in the ETS  
(covering N2O and F-gases)

**Website: [www.climnet.org/](http://www.climnet.org/)**



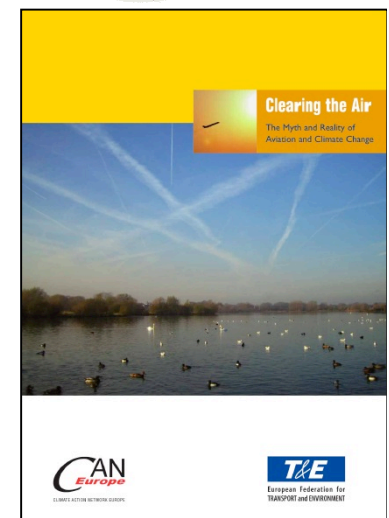
# ETS the right policy?



## CO2 and other impacts from aviation

- Clear demarcation of emissions sources, flight monitoring in place
- No policies so far. Now concrete proposal on the table, wide support
- No competition issues, can & should deal with higher carbon prices
- Package of measures needed and possible, addressing all impacts
- Harmonised EU wide approach possible
- Auctioning to disseminate allowances introduced from start
- If included, maximum possible scope of flights necessary

NGO assessment: *ETS a 1st step in policy package for aviation, inclusion must integrate lessons learnt on targets & allocation*



## CO2 and other impacts of surface transport

- Millions of individual emission sources on the streets
- Targets and policies for climate impacts of transport already exist
- Voluntary agreement on CO2 standards has not worked, needs stringent implementations through mandatory standards
- No competition issues, can & should deal with higher carbon prices
- Package of measures needed and possible to address also support for alternative modes of transport, urban planning, impacts of road-building
- ETS cannot guarantee non-carbon benefits from real reductions (health)

NGO assessment: *ETS not a useful option for surface transport*

## N<sub>2</sub>O from nitric acid production

- Large point sources. Emission figures require plant specific data.
- Technology available, but little abatement in existing plants
- Regulated by IPPC, benchmark decided - added value from ETS?
- Clear risk of double-counting and windfall profits
- Necessary to ensure reductions beyond BAU (IPPC)

NGO assessment: *N<sub>2</sub>O from nitric acid useful inclusion desirable  
ONLY IF a low, EU-wide benchmark can be adopted*

Harmonisation must make up for missed opportunity of opt-in by NL, F

## N<sub>2</sub>O from adipic acid production

- A few large point sources in only some EU countries
- Abatement technology (-90% and more) almost universally in place
- Clear risk of double-counting and windfall profits

NGO assessment: *State of the art technology should be mandatory*



## HFC-23 from HCFC-22 production

- A few large point sources in only some EU countries
- Abatement technology (-90% and more) almost universally in place
- Clear risk of double-counting and windfall profits
- Phase-out of production for European consumption planned

NGO assessment: *State of the art technology should be mandatory*



## PFCs from aluminium production/ SF6 from magnesium

- A few large point sources in only some EU countries
- Good monitoring possibilities
- SF6 already covered by F-gas regulation
- PFC abatement technology largely in place

NGO assessment: *F-gas regulation for SF6 main instrument for magnesium. Abatement technology for PFCs should be mandatory*

## CH<sub>4</sub> from coal mines

- A few large point sources in only some EU countries
- No stringent monitoring of emissions in place
- Reduction potential substantial (CH<sub>4</sub> is captured)
- Low mitigation cost present profit opportunity for fossil fuel extraction
- If any free allocation of allowances, has to be ambitious reduction if there should be added value to the ETS.

NGO assessment:

*Important emissions source that needs monitoring and mitigation.*

*Capturing coal-bed methane could be achieved by means other than the ETS. Inclusion would have to avoid windfall profits.*



## Criteria for environmental assessment of inclusion in the ETS

- Clear added value in terms of additional reductions (trend, potential)  
⇒ no “hot air” of previous reductions due to other factors
- Impact on other policies?  
⇒ no weakening of existing measures
- Stringent Monitoring, Reporting and Verification  
⇒ simpler for large point sources
- Expansion must fit review purpose of improving the ETS  
⇒ harmonised EU wide approach on targets and allocation

# Expanding the scope of the ETS



Thank you for your attention

Matthias Duwe

Climate Action Network Europe

Rue de la charité 48, 1210 Brussels

matthias(@)climnet.org

**[www.climnet.org](http://www.climnet.org)**