

Vital considerations when linking EU ETS with other schemes

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The Sword of Damocles

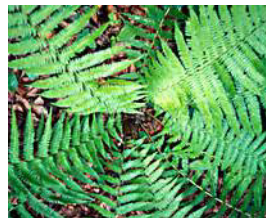
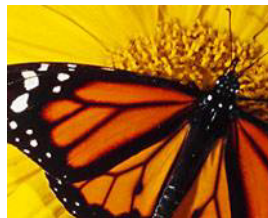


Richard Westall (1812)

EU ETS will not get another chance!

It must be an effective trading scheme based on transparency, simplicity and deliver significant carbon reductions.

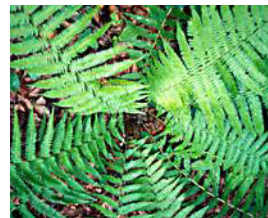
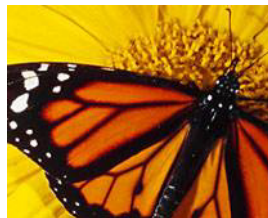
Cannot join bad schemes which have the pathetic elements that we are trying to get rid of.....





First steps to linking...

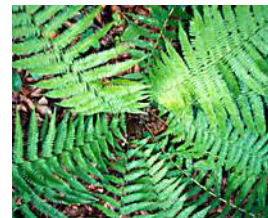
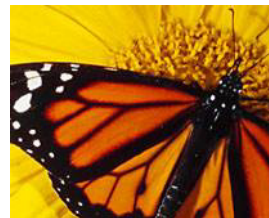
MAKE THE EU ETS WORK AS A MEANS OF DELIVERING CARBON REDUCTIONS IN THE EU





This means.. ...

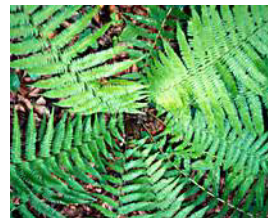
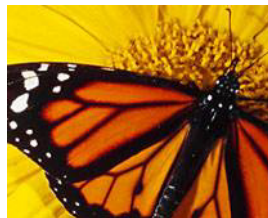
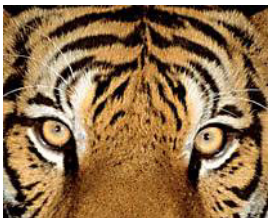
- Transparent EU wide CAP aligned to 30% GHG reduction
- Long term target with 5 yearly trading periods
- Fair and open allocation system = AUCTIONING
- Large installations and large emission sources
- Efficient, cost-effective and robust MRV and enforcement processes and applications
- NO DOMESTIC OFFSETS OR SURFACE TRANSPORT!!!
- NO BAD QUALITY EXTERNAL CREDITS THAT **DO NOT** DELIVER CARBON REDUCTIONS ELSEWHERE





Candidate schemes must have:

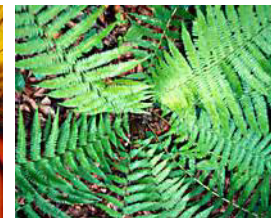
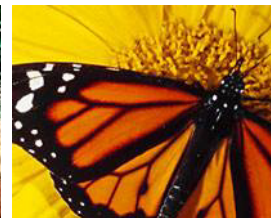
- Transparent CAP & trading with similar level of ambition
- Similar trading periods
- Same type of allowances...
- Fair and open allocation system = AUCTIONING
- Large installations and large emission sources
- Efficient, cost-effective and robust MRV and enforcement processes and applications compatible with EU system
- NO DOMESTIC OFFSETS OR SURFACE TRANSPORT!!!
- NO BAD QUALITY EXTERNAL CREDITS THAT DAMAGE EU ETS!!!





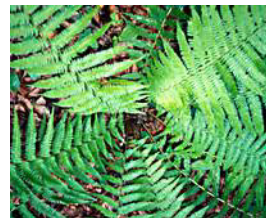
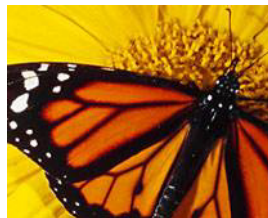
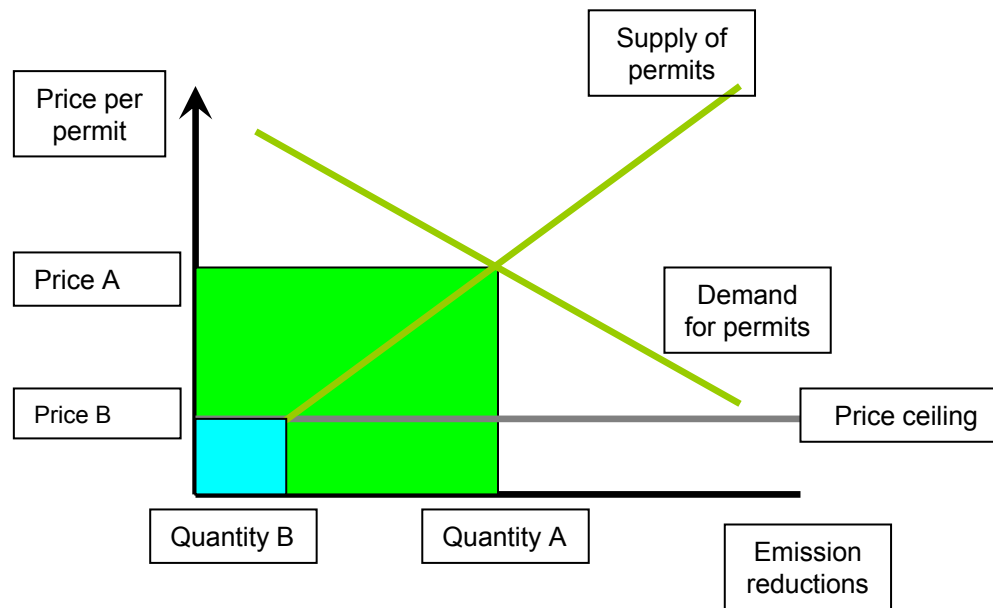
Importantly.....

**Parties must have an honest
commitment to policy direction at
the time of linking
and in the future....**





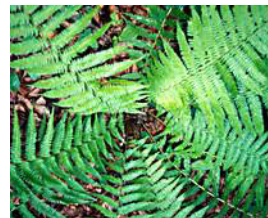
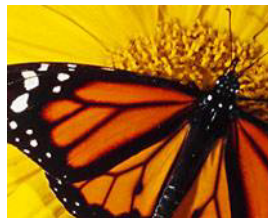
Deal breakers (1): Price ceiling = Anti-competitive





Deal breaker (2): Where trading does not work.... eg. Surface transport

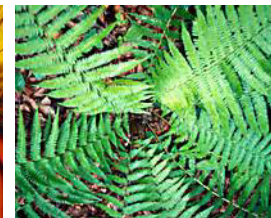
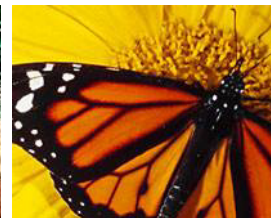
- WELL-to-TANK and TANK-to-WHEEL Solutions are required which need clear drivers such as fuel and/or combustion standards, product designs, harmonised road transport policy.
- Difficult to Comply with monitoring, reporting and enforcements processes and procedures.





Deal breaker (3): Sectors with dubious permanence and reduction capacity eg. Domestic sinks (Kyoto Articles 3.3 & 3.4)

- Difficult to Comply with monitoring, reporting and enforcements processes and procedures.
- Permanence not guaranteed eg. Large eruptions in dry periods like summer 2003!!!
- Sinks can become SOURCES!!!

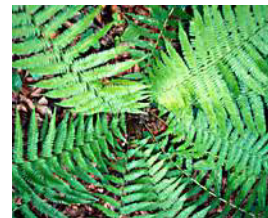
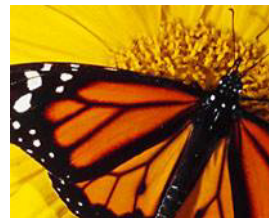




Conclusions

First make EU ETS work

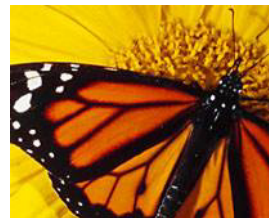
Then find a suitable partner(s)





A happy ending....

And live happily ever after.....





Wake up!
It's time to fight Climate Change!



www.panda.org/climate

