

get to grips with
**climate
change**



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Quantitative Limits on JI and CDM: Provisions in the ET Directive and the NAP-2 Assessments

ECCP WG on Emissions Trading:
Linking the EU ETS to JI and CDM
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Outline

1. Why quantitative limits on JI/CDM in the EU ETS?
2. Linking Directive: Background and provisions for JI/CDM
3. NAP-2 assessments
4. Quantitative limits after 2012: Things to consider



Why quantitative limits on JI/CDM?

- Ensure effective emissions reductions in the EU ETS
- Ensure that the EU's use of Kyoto mechanisms is supplementary to its domestic efforts in reaching the Kyoto target
- Provide certainty for installations and for market
- Alignment with other ET systems that foresee limits



The Linking Directive: A Short History

- Original proposal: Commission shall undertake immediate review when converted ERUs/CERs reach 6% of total cap, and may then consider limit, for example 8 %
- In Council negotiations a number of Member States wanted limit higher than 8%
- Member States were split on installation-level vs. total limit
- Final text allows MS to propose JI/CDM limit and if it should be on installation or national level, Commission to assess
- **End result: flexibility but uncertainty, not harmonised**



JI/CDM limits in NAP-2 Assessment

- The Commission takes into account the effort a Member State has to undertake to meet its Kyoto target in assessing proposed limits that are greater than 10%.
- This gives a reasonable balance between domestic reductions and participation in Kyoto mechanisms with the view of the EU achieving its Kyoto target.
- As a general rule, the Commission considers that installations should be allowed to use JI/CDM credits to supplement their allowance allocation by up to 10%.



JI/CDM limits in NAP-2 Assessment

- Harmonised approach resulting in JI/CDM limits for individual Member States at 10-15% of approved trading sector caps in most cases
- Maximum total amount of usable ERUs/CERs for the 22 NAPs assessed so far is 1110 Mt
- Of this, 928 Mt in EU-15
- Uncertain whether total limit will be fully used due to possible internal market barriers and supply constraints in 2008-2012



Quantitative limits on JI/CDM after 2012: Things to consider

- Domestic emission reductions needed for EU to reach its at least 20% reduction target by 2020 – EU ETS crucial in achieving this target
- **Uncertainty about nature of JI/CDM after 2012 (how much? what type of credits?)**
- EU ETS must retain a sufficiently solid cap to ensure linking with other emerging ET schemes worldwide
- EU ETS may not be attractive for linking with other ET systems if extensive or unlimited inflow from JI/CDM credits



Quantitative limits on JI/CDM after 2012: Things to consider

- At present, Member States discretion on accepting JI/CDM credits up to maximum level.
- Harmonisation needed after 2012?
- If so, different options for harmonisation possible:
 - flat rate from start
 - triggers
 - differentiated limits depending on type of JI/CDM credits





Annex



JI/CDM limits in 2008-2012 in 22 NAPs assessed so far

| | JI/CDM limit in % | Million tonnes of CO ₂ eq. |
|----------------|-------------------|---------------------------------------|
| Austria | 10 | 15.35 |
| Belgium | 8.4 | 24.57 |
| Czech Republic | 10 | 43.40 |
| Finland | 10 | 18.80 |
| France | 13.5 | 89.64 |
| Hungary | 10 | 13.45 |
| Germany | 12* | 271.86 |
| Greece | 9 | 31.10 |
| Ireland | 21.91 | 23.17 |
| Italy | 14.99 | 146.75 |
| Latvia | 5 | 0.82 |
| Lithuania | 8.9 | 3.92 |
| Luxembourg | 10 | 1.35 |
| Netherlands | 10 | 42.9 |
| Poland | 10 | 104.25 |
| Slovakia | 7 | 10.82 |
| Slovenia | 15.76 | 6.54 |
| Spain | 20** | 152.30 |
| Sweden | 10 | 11.42 |
| UK | 8 | 98.48 |



JI/CDM limits in NAP-2 Assessment

- The Commission assesses consistency with complementarity obligations (criterion 12) based on the following formulae:
 - A = base year emissions – emissions allowed under Kyoto target
 - B = greenhouse gas emissions in 2004 – emissions allowed under Kyoto target
 - C = projected emissions in 2010 – emissions allowed under Kyoto target
 - D = 50 % of max (A, B, C) – annual average government purchase of Kyoto units
 - Maximum allowed limit (in %) = (D / annual average cap) or 10 %
- If Member States allowed a higher level of ERUs/CERs usage than approved limit, then criterion (12) is considered to be violated



EU Member States invest in emission reduction projects abroad, 2008-2012

| | Million tonnes of CO ₂ eq. |
|-------------|---------------------------------------|
| Austria | 45 |
| Belgium | 37.7 |
| Denmark | 21 |
| Finland | 12 |
| Ireland | 18 |
| Italy | 95 |
| Luxembourg | 23.6 |
| Netherlands | 101 |
| Portugal | 29.8 |
| Spain | 159 |
| Sweden | 2.0 |

> 540 Million tonnes of CO₂eq (2008-2012) ~ €2.7 billion
excluding demand from companies in the EU-ETS

(in red: NAP2 decisions up to present)