

Evolving Compliance Systems across the EU **the work of the IMPEL EU ETS group**

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Overview of IMPEL projects

IMPEL EU ETS II

- reviewed first year of operation of EU ETS
- options for consistency and harmonisation
- focussed on small emitters, MRV and compliance issues

IMPEL EU ETS III

- priorities for the review of the Directive
- priorities for implementation of MRG II

MPPEL EU ETS II

Considerable concerns about *small installations* and the burden placed upon them.

Need for greater harmonisation and more transparency

Different approaches to compliance were taken in different Member States, which reflected respective regulatory traditions and the way in which they have chosen to implement the EU ETS

Build on best practice experiences and the sharing of lessons

EMPEL EU ETS II - compliance

- ‘Inspection’ means different things in different member states
- Different rationales and links to work of verifiers e.g. U Netherlands v Austria
- Activities that might comprise an environmental inspection as proposed by the RMCEI, are also relevant to the EU ETS
- Informal, risk-based approach has been taken to plan compliance assessment, but many intend to undertake more formal risk assessment on which to base compliance

MPPEL EU ETS II - compliance

Few use a common reporting format but plan to develop

Highlighted importance of preparing for site visits and set out good practice in relation to such preparation.

Verification 'key foundation of the emissions trading market'

Common approach to compliance assessment is important although adoption of a fully standardised approach may not be possible.

Need for clear set of principles/building blocks

MPPEL EU ETS III

Focus on regulator priorities for the review and implementation of MRG II

Pre workshop questionnaire scoped key issues for discussion

First workshop, hosted by SEPA, in Edinburgh in March '07

Good attendance with representation from 14 countries

Generally reached consensus on most issues - mainly in relation to scope and compliance



MPPEL EU ETS III - scope

Definition of combustion

- support for broad definition with de minimis
- need for common definitions - ‘installation’, ‘operator’, ‘site’
- need to remove the need for sub-metering and disaggregation of ETS sites emissions
- developing paper on interpretation of installation boundaries which currently varies between different member states

MPPEL EU ETS III - scope

Small installations

- administrative costs are disproportionate
- emission threshold is preferred option for removal
- 25 kT threshold in Phase I reduced number of installations in Netherlands from 287 - 140 with only 2% reduction in emissions
- 2005 verified emissions data shows a similar approach across EU would remove 59% of installations but only 2.5% of emissions

EMPEL EU ETS III - compliance

■ Status of MRG

- M&R methods will evolve and improve as more experience is gained - flexibility therefore considered important
- benefits of a move to a regulation are that there would be no differences in transposition but this doesn't mean implementation will be consistent
- main concern was regarding content not status
- inconsistencies in MRV will undermine probability therefore need increased harmonisation and

EMPEL EU ETS III - compliance

- Centralisation of verification/accreditation
 - significant variation in performance between verifiers
 - differences in levels of checking by accreditation bodies
 - concern that operators exert influence over verifiers
 - action needed to ensure independent, high quality and consistent verification working to common standards

EMPEL EU ETS III - compliance

- Centralisation of verification/accreditation
 - no need for central verification but quality control is needed
 - achieve this through centralised EU body for quality assurance of accreditation bodies, applying common standards
 - incorporate audits/peer review of national accreditation bodies
 - share best practice, templates, pro formas
 - IT can play an important role

IMPEL EU ETS III - linking

- Rapid developments around the world
- Consistency and compatibility between schemes are essential
- Key challenge is credibility of MRV and need to build a global common currency

Conclusion

Robust, harmonised MRV & compliance underpin the scheme

This requires common approaches and definitions, and the focussing of effort on the biggest emitters

Accreditation and verification must be performed to the highest standards and consistently across Europe

Linkage of EU ETS with developing schemes provides an important bridge to the development of a global carbon market - must be based on strong environmental integrity and a comparable set of rules.

<http://ec.europa.eu/environment/impel/>

