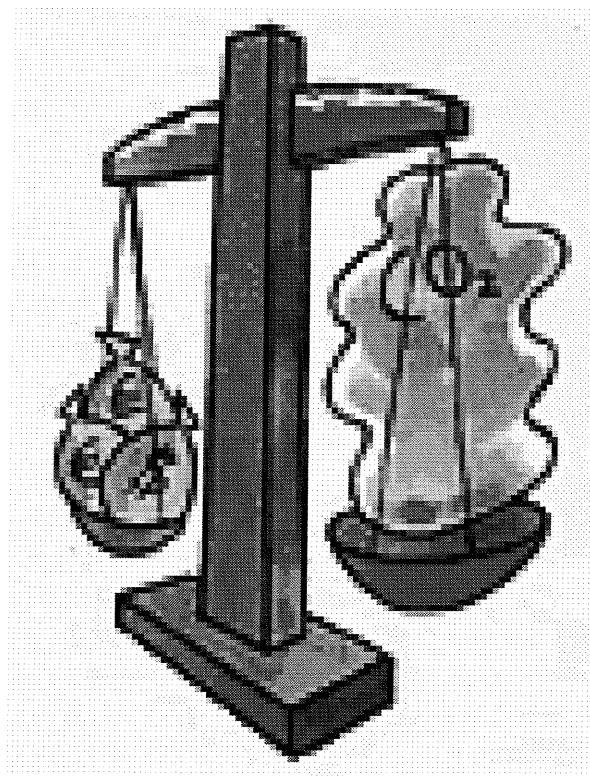


EU ETS Compliance: the Way Forward

Conference 10-11 September, Brussels

Business Case



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1. Description of the Project

1.1. Introduction

The European Union Emissions Trading Scheme (EU-ETS), established by EU Directive 2003/87/EC started on 1 January 2005. In order for the EU-ETS to be successful in the long term, it is important to both strengthen and harmonise the compliance chain of CO₂ emissions trading. The compliance chain starts with permit application, includes validation of the monitoring plan, implementation and execution of the monitoring plan, reporting and verification, and ends with inspections and sanctions.

The conference: *EU ETS Compliance: the Way Forward* will be used as a tool to improve coherence, to harmonize the compliance chain among Member States and to open a communication channel with the policy-making process. This approach will focus on regional and, possibly, local levels, facilitating at the same time better participation from Competent Authorities.

Raising the profile of compliance will be fundamental in strengthening the credibility and transparency of the system. Member States and stakeholders should be able to trust that in the EU, a ton of CO₂ emitted is always equivalent to a ton of CO₂ monitored. This will be particularly important in linking to other non EU ET systems.

The European Commission strongly supports the objectives of the conference, and has taken the lead in the organisation. Member States currently involved in the International Project Team (IPT)¹ have likewise expressed their commitment to the conference objectives, as well as their willingness to co-organise the conference. For the Commission and The Netherlands this commitment has also resulted in a financial contribution to the organisation of the conference, see paragraph 4.

This Business Case should function as the basis for authorization of the conference as well as for its actual organisation. It is meant to outline the objectives, intended outcomes, organisational aspects and planning. This document should be dynamic and updated as and when changes occur during the planning of the conference.

1.2. Objectives and deliverables of the Conference

The objectives of the conference are:

- To bring Competent Authorities (CAs) and policymakers together to exchange experience and best practices and learn from each other
- To raise the profile of the compliance chain as the foundation for success in the EU-ETS.
- To create among Member States and regional CAs an awareness of, and commitment to, the degree of harmonisation needed to ensure consistent outcomes with regards the environmental integrity of EU-ETS implementation
- To bring together various stakeholders involved in the compliance chain, including verifiers, accreditation bodies, NGO's, operators.

The main deliverable of the Conference is:

- A structured plan for the establishment, position, and working program of the Compliance Forum (CF)

The ambition of the conference is to create a momentum for improving coherence and further harmonisation of EU-ETS compliance. Establishing the EU-ETS CF is meant as a first step in this

¹ United Kingdom, The Netherlands, Germany, Ireland, Sweden and Finland.

process. This should result in a substantial capacity building process that will ensure an overall more coherent compliance strategy at national and regional level.

1.3. Time and Location

The conference will be held on 10 and 11 September 2008 in the Albert Borschette Conference Building in Brussels. The first day will consist primarily of expert discussion groups; the second day is mainly intended for political and strategic deliberation of the conclusions from day 1.

1.4. Target Audience

To be sure of an effective follow-up to the conference, as well as to effectively start a process of harmonization, it is important that all EU Member States are represented at the conference. It is also important that senior managers are present, in order to give significant endorsement to the establishment of the CF.

The International Project team aims for an audience of around 180 participants which should include people who have an interest in and are in a position to resolve Compliance Chain issues regarding emissions trading. The key audience consists of regulators CAs (Competent Authorities) and policymakers (Ministries). Accreditation and verification bodies will also be represented. A number of representatives from industry and NGOs will be invited, as well as selected Commission officials.

Target groups:

- Regulators at management level²
- Policymakers at director level
- Technical experts, either CA or Ministry
- Verification bodies and accreditation organizations (private sector)
- Members of the European Parliament
- Commission officials
- Consultants
- NGOs
- Industry/operators

Strategy to approach the targeted audience:

- National focal points³ should collate names of potential participants and share them with the IPT
- The IPT (chairman and secretariat specifically) will propose the final selection of participants depending on the total number of applicants from the CAs and the ministries, and the CA structure in the MS in question
- Apart from the information collected through the national focal points, the IPT should target additional participants (in the ISC, the European Parliament, NGOs, operators/industry from the existing network of WG3), e.g. some 50-60 participants
- The project secretariat will develop a short communication plan which will include the involvement of selected News Agencies (e.g. Platts, Argus, Point Carbon, ENDS Daily, Environmental Finance etc), public announcements and other methods for generating publicity around the conference.

² It is recognised that between MS there are differences due to the institutional structure, the organisation and political involvement of the EU-ETS compliance issues, and that this may be reflected in the representation of the Member State or the Competent Authority(ies).

³ 1-7 rep's from CAs, depending on the CA structure in the MS; up to 4 reps from ministries (of each MS); 1-2 reps from the private sector (verifiers or accreditation bodies)

- The project secretariat will collect participant details and structure the information into a database. This will then be passed to DG ENV.
- The invitation text will be drafted by the chairman and will be sent to participants by the Commission.

The conference program is structured such that there should be a slightly different audience for both days. This is in line with the schedule below:

	Content / Topics	Deliverables	Targeted audience
Day 1	<ul style="list-style-type: none"> - Technical workshops on the compliance chain - Presentation of the deliverables of the different task forces 	<ul style="list-style-type: none"> -Presentation of best practices - Discussion on the desired role and structure of the Compliance Forum - Development of a working program for the Compliance Forum - Identification of future compliance challenges / issues 	Depending on the topic: <ul style="list-style-type: none"> - CAs - Policymakers (expert level) - Accreditation & verification bodies
Day 2	<ul style="list-style-type: none"> - Installation and development of a working program for the Compliance Forum - Generation of political commitment aimed at coherence and harmonization of compliance in the EU-ETS -Commitment gained for follow-up of the conference 	<ul style="list-style-type: none"> - Discussion of the essential elements for coherence and harmonization of EU-ETS Compliance - Generation of endorsement and impetus to the establishment of the Compliance Forum - Agreement on a working program for the Compliance Forum 	<ul style="list-style-type: none"> - Policy makers (decision-makers, director level) - CAs -Accreditation & verification bodies - Industry and NGOs

1.5. Communication

By raising the profile of the conference through thorough communication methods, the IPT hopes to raise:

- attendance by those who are in a position to resolve Compliance Chain issues.
- political awareness about the importance of improving coherence and harmonisation of the Compliance Chain;
- pressure to generate results at the conference.

A communication plan should be developed to assess the way in which communication channels (such as news letters) will be used and how contact will be established and maintained with the targeted audience.

1.6. Connection with Other Projects

- The theme of this conference is connected to broader discussions within the European Union Network for the Implementation and Enforcement of Environmental Law (IMPEL), particularly with regard to its ETS Support Group on compliance and enforcement in the

EU ETS. Existing links between IMPEL and the Compliance Forum need to be reinforced.

- With respect to the international dimension of ETS, connections have been made to the International Carbon Action Partnership (ICAP). A conference on Monitoring Reporting Verification, Compliance and Enforcement was held on 19-20 May 2008. Further work will be undertaken as to how the ICAP conference results will be integrated with the work of the Compliance Forum.

2. Organisational structure

The European Commission, The Netherlands, the UK and Germany will jointly organise the Conference.

2.1 ISC

The Conference is to be guided by an International Steering Committee (ISC), which is chaired by the European Commission. The main objective of the ISC is to ensure high-level political support and commitment. It will also decide on the objectives, the themes and the desired outcomes of the Conference.

2.2 IPT

The Steering Committee has delegated the actual organisation of the Conference to the International Project Team (IPT), which will submit its proposals for the objectives, themes and outcomes of the conference to the ISC.

The organisation of the Conference and the execution of the tasks to make the conference a success lie with the IPT.

Logistic organisation

The Commission (DG ENV) has offered to host the Conference and to finance its logistic organisation. The project secretariat will take care of communication aspects and of the running of the IPT.

Tasks of Commission:

- Manage the budget
- Organize and facilitates reimbursements
- Logistic organisation (technical facilities, coffee/lunches (if applicable), badges, mailings and confirmations)
- Organise moderators, if applicable
- Arrange translation and reporting

Tasks of IPT secretariat:

- Collate the contact details of all participants into an excel spreadsheet
- Together with the IPT chair, manages the "selection" of participants for each Member State / CA
- Produce a communication plan

2.3 Taskforces

The International Project Team has broken down the conference program into four areas, each of which will be organised by a specific Task Force (TF). Task force four is charged with the main deliverable of the conference, i.e. the proposal for the establishment of a Compliance Forum. The

other task forces should align their activities to this objective, i.e. in providing the necessary building blocks for a working programme of the Forum.

Each task force is chaired by an IPT member. In this way, the progress of each task force can be shared within the IPT.

The chairman/chairwoman of each Task Force will involve stakeholders from several EU Member States in the preparations of its task force, thus ensuring sufficient expertise and the involvement of a number of member states.

The structure and activities of the taskforces are outlined in paragraph 3.

The organisational structure is shown below.

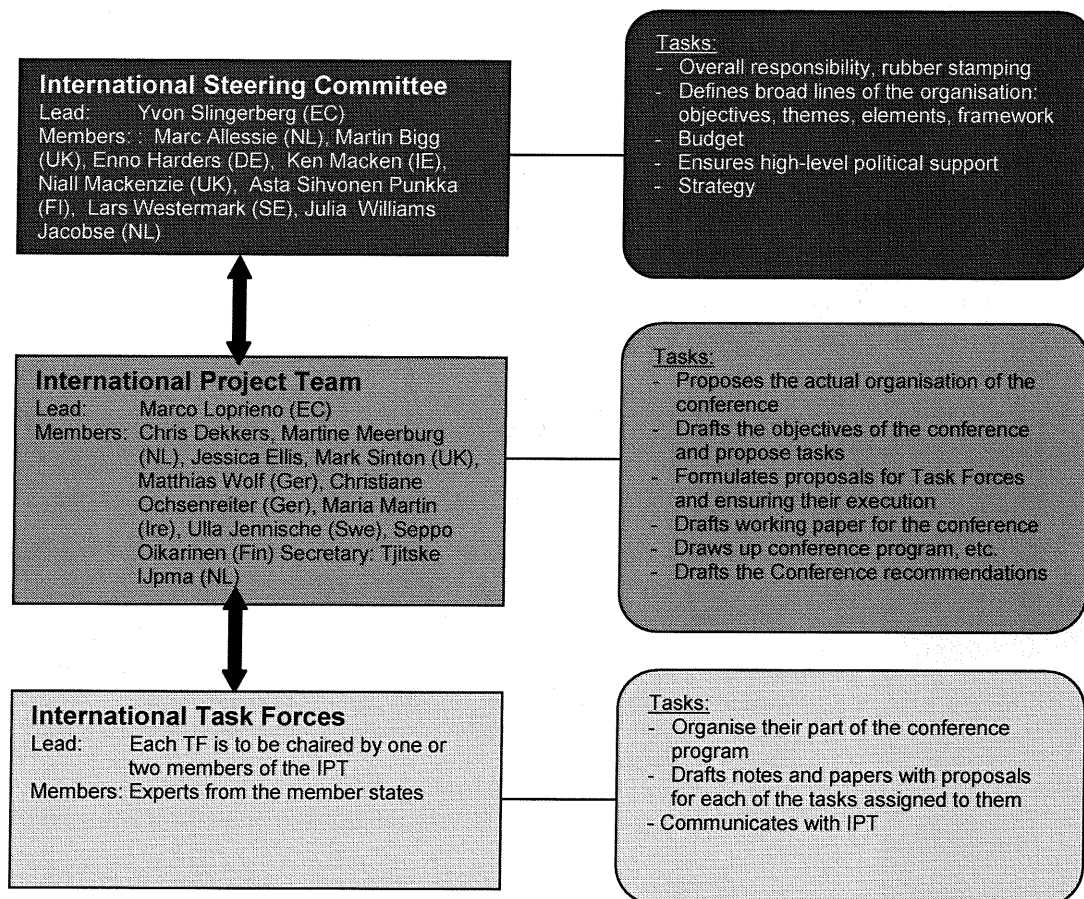


Figure 1

3. Task Forces

Taskforce 4 is responsible for the key deliverable of the conference which is the establishment of the Compliance Forum. The activities of taskforce 1, 2 and 3 should be aligned to this deliverable.

The Compliance Forum has 3 key objectives:

- i) To ensure that the various approaches used in the EU for compliance, deliver the same environmental outcome in line with the requirements of the ETS Directive.
- ii) To strengthen the entire compliance chain (to ensure that a tonne of CO₂ emitted is also monitored and reported as a tonne of CO₂ throughout the whole EU)
- iii) To provide a mechanism by which:
 - a. current practices can be compared and evaluated,
 - b. best practices and solutions to EU-ETS regulatory issues can be discussed, promoted and circulated to Competent Authorities. This will primarily be achieved by the use of a web based forum and a regular electronic newsletter.

The forum should be a formal sub-group of WG III of Climate Change Committee, similar to the Registry Administrators forum. Membership will be comprised of 1 or 2 (maximum) national members who will represent each Member State. Member States with regional Competent Authorities can send additional representatives, but these will have an adviser status and will not be regarded as representing the Member State.

Task forces 1, 2 and 3

Task forces 1, 2 and 3 will cover the following broad themes:

- How to safeguard the public domain by high quality in validation, inspection and enforcement.
- How to safeguard the private domain by high quality and independent verification and accreditation.
- How to use IT and workflow automation to ensure compliance.

Task Force 1:

Subject	Validation, Monitoring & Reporting + Inspection & Enforcement and the use of Sanctions
Lead/chairing	Matthias Wolf (Germany)
Participants	CAs of all Member States
Objectives	<ul style="list-style-type: none"> - to develop content for a work program for the Compliance Forum and - to raise awareness among regulators and policy makers of the importance of properly safeguarding the EU-ETS public domain through the following measures: Competent Authorities should ensure correct validation of Monitoring Plans, correct inspection of monitoring reports, correct application of enforcement and sanctions. - there is a need for a common understanding of the importance of these measures - a common approach to delivering these measures is needed to enhance equal treatment across the EU and enhance trust in the ETS.
Deliverables	<ol style="list-style-type: none"> 1. Analysis to show how different member states implement the compliance measures of the EU ETS, 2. Analysis to show where Member States approach delivery of the compliance cycle in different ways and how this can result in differences in annual monitoring and reporting, 3. An assessment to illustrate where lessons can be learned and where further action is needed to ensure the same quality of the

	<p>annual monitoring and reporting outcome,</p> <p>4. Development of an action plan for the CAs and their Forum.</p>
Strategy / Working method	<p>The workshop will include the following:</p> <ul style="list-style-type: none"> - presentation of the PwC work, - two presentations by CAs on the validation of monitoring and reporting - two presentations by CAs on their inspection and enforcement program <p>These presentations will be followed by discussion. Each presentation will not be longer than 15 minutes. The CAs should focus on the main content of their validation, inspection and enforcement work and their essential experiences / lessons learnt. Furthermore, the workshop will be moderated by a representative of DEHSt who will present the results of the workshop on day two of the Conference.</p>
Time schedule	

Task Force 2:

Subject	Verification & Accreditation
Lead/chairing	Marco Loprieno, European Commission
Participants	Wolfgang Bednar (Austria), João Bolina (Portugal), Isabel Lozano (Spain), Martine Meerburg (Netherlands), Seppo Oikarinen (Finland), Fabio Romani (Italy), Hans Henrik Svenson (Denmark), Matthias Wolf (Germany), Rob Gemmill (UK), Thomas Velghe (Belgium), Fredrik Zetterlund (Sweden), Jean Loup Caruana (France), Maria Martin (Ireland), Jessica Ellis (UK), Liesbeth Clerick (Belgium), Tomasz Karpínski (Poland), Ana Maria Balanescu (Romania), Lucia Rosolankova (Slovakia), Saviour Vassalo (Malta), , Getlyn Makke(Estonia), Katalin Bajsz (Hungary), Edelio Gago (EA), Jeroen Kruijd (PwC), Machtelt Oudenes (PwC), Hubert Fallmann (EC)
Objectives	<ul style="list-style-type: none"> - To define the main elements of a common strategic guidance at EU level for verification and accreditation in order to enhance trust in the EU ETS compliance system⁴ - To collect Member States best practices on ETS verification and accreditation⁵ in order to coordinate implementation of verification and accreditation at EU, national and regional level
Deliverables	<ul style="list-style-type: none"> - To present the main elements of a draft guidance document on EU ETS verification and accreditation; - to prepare a draft report on best practices on ETS verification and accreditation currently ongoing among MS and CAs; - to indicate a work programme for the Compliance Forum that will

⁴ A EU common strategic guidance to verification and accreditation will have to take into account the forthcoming review to the ETS Directive, the 2007 MRG and its reviews, accreditation standards and other relevant standards and documents, especially EA 6/03.

⁵ Special attention will be given to simplification approaches for small and simple installations and for small verification bodies (especially for individual verifiers "one person entities").

	allow, in the first place, to develop a series of Frequently Asked Questions on V&A and later will accompany the practical implementation of future legislation in this field.
Strategy / working methods	<ul style="list-style-type: none"> - Work together with PwC consultants in order to facilitate discussion on the deliverables and prepare a first draft of the main elements of the guidance note - Active involvement of verifiers and accreditors through bilateral contacts and the Verification Forum
Time schedule	- 4 meetings planned: March 6, April 24, June 12, July 8

Task Force 3:

Subject	Data Quality, Transparency & Standards + Use of IT in the Compliance Chain
Lead/chairing	Chris Dekkers (Netherlands)
Participants	Suggested: UK, IE, AU, FI, NL, DE, SE, CZ
Objectives	<ul style="list-style-type: none"> • Raise awareness that Member States carry out their tasks and responsibilities under the ETD in different ways, and that as a result of which we can expect different environmental outcomes; • Provide the understanding that these different environmental outcomes are partly the result of the complexity and lack of tools for handling the large streams of information that are being exchanged between the three main parties involved; • Conclude that with the revised MRG2007, the conditions have been set to facilitate development of IT tools which will handle these large streams of information and that workflow automation, if developed along common structures and requirements, would be a powerful instrument to bring about a more uniform environmental outcome; • Learn from the latest developments in the field of IT tools and workflow automation applied or introduced in the Member States and to diffuse best practices among the Member States (MS) and regional Competent Authorities; • Explain that the exchange of large streams of complex information requires the establishment of an IT standard to allow easy access and proper communication between different IT systems, and that development of such a standard (XETL) is a first next step; to achieve the harmonisation aims XETL must define an international business vocabulary that is robust, universally understood and rigorously applied by all participants • Demonstrate that the first concrete application of an efficient and effective XETL should be geared to develop and define an electronic Monitoring Plan able to handle all the variability and complexity that we find in the real world of industrial installations in the various Member States; • Demonstrate how the administrative and regulatory burdens for industry and competent authorities can be lowered through the use of IT standards and workflow automation systems.
Deliverables	<ul style="list-style-type: none"> • Best practices in the Member States on the use of IT and Workflow Automation; • Business Case containing answers to the issues listed above and outlining the details of these IT tools used in the MS

	<ul style="list-style-type: none"> • Determination of the state of play in the development of XETL and in setting up the electronic format for the monitoring plan that is in accordance with the MRG 2007 • Recommendations on the way forward and steps to be taken on the use of IT in EU-ETS compliance functions • Identification of issues that need to be resolved in order to further integrate IT tools or to develop protocols and IT concepts based on the above
Strategy / working methods	<ul style="list-style-type: none"> • Invite MS representatives to participate in the Task Force and provide information on their IT systems and their experiences so far • Explore to what extent MS are preparing IT systems and to what extent they take on board lessons from others • Have a summary report prepared that outlines the best practices in the MS, the commonalities, and where systems differ • Explore the possibilities for further steps towards harmonisation of IT tools used for EU-ETS compliance functions
Time schedule	<ul style="list-style-type: none"> • Kick-off in April • Agree on TOR for summary early May • Draft summary report ready mid June • Draft conclusions and recommendations discussed by mid July <p>Final report ready by early September</p>

Task Force 4:

Subject	Setting up an EU-ETS-Compliance Forum
Lead/chairing	Mark Sinton (United Kingdom) and Martine Meerburg (Netherlands)
Participants	
Objectives⁶	<ul style="list-style-type: none"> - To increase harmonisation of approaches to ensuring compliance with the requirements of the EU-ETS - To strengthen the entire compliance chain (so that a tonne of CO₂ is truly a tonne of CO₂ throughout the EU)
Deliverables	<ul style="list-style-type: none"> - To present and agree, in principle, the outline structure and role of the Compliance Forum - To establish draft terms of reference (working programme) for the Compliance Forum. - To present an outline for a website for ETS-Competent Authorities
Strategy / working method	<ul style="list-style-type: none"> - Making MS aware of the proposals for Compliance Forum - Giving MS opportunity to comment on proposals and identify likely issue to be tackled by the Forum via a questionnaire - Developing presentation sessions for workshop including TOR of Forum, funding arrangements, communication methods, 1st year working programme, interactions with EC, IMPEL etc
Time schedule	See time schedule in attachment ⁷
Desired outcome	<p>The following recommendation from the Conference to the Commission to take the steps needed for establishing the forum:</p> <ul style="list-style-type: none"> - The forum will be chaired by the Commission. - Secretariat will be provided either by the Commission (preferably) or on a voluntary annual rolling basis by CA representatives - Maintenance of the website will be preferably provided by the

⁶ See attachment 1: Task force 4 proposal on the Compliance Forum

⁷ See attachment 2: time schedule task force 4

Commission. As second best on a voluntary annual rolling basis by CA representatives.

4. Budget

The conference will be co-financed by the Commission, The Netherlands, Germany and the UK.

IPT member contributions - both financial and in terms of human resources (HR):

Taskforce 1	Mostly HR	Germany
Taskforce 2	Mostly HR	EU Commission
Taskforce 3	€ 20 000 & HR	The Netherlands
Taskforce 4	HR € 7 750 & HR	UK The Netherlands
Secretariat & Communication	Mostly HR	The Netherlands EU Commission
Logistics & organisation	€ 75 000	EU Commission