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Economic and ecological impact of different allocation methodologies - grandfathering, benchmarking, auctioning OR: Making EU ETS work....

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Objective of the review is to make EU ETS

- Environmentally effective
- Economically the least-cost option
- Creating a level playing field in EU in the sectors
- Reduce windfall profits from grand fathering
- Facilitate linking with other schemes
- *Keep in mind: this is supposed to be a quite unusual market*
 - *keep commodity expensive*
 - *keep commodity scarce*
 - *eventually abolish commodity as soon as possible*

All of these objectives are central to the discussion about cap setting and the distribution of permits





The EU ETS CAP

- Strong need for a single EU-wide cap for that is aligned to 30% + greenhouse gas reduction limits
- Need to determine contribution of individual EU ETS and non-EU ETS sectors
- Cap level for 2020 with percentage of periodic 5 y decrease to be set in the directive
- Start debate on 2030, 2040, 2050 EU ETS cap level in accordance with science.
- 5 yearly periodic review of the cap is essential





Auctioning principles

- Grandfathering - outdated model - windfall profits!
 - Benchmarking is grandfathering by another name
 - Implications for energy intensive sectors/international competitiveness
 - Use BAT benchmarking for EII sectors - multiply with historic production data (EEA) and integrate innovation factor - here is your cap for cement, steel, paper & pulp etc
 - Single auctions per sector – implies sector cap
 - Or single auction for entire EU ETS (need central body to run it)
1. Auctions across Member States (regional variations, gaming possibilities, etc)

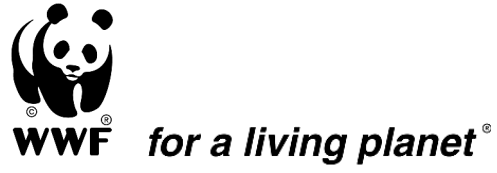




Auctioning and auctioning revenue

- 100% auctioning of all sectors included
- WWF recommends that the distribution of all money generated is **transparent and publicly accountable**. All money should be used for climate protection. A substantive part of money should be invested in developing nations
- Possible areas for expenditure could include:
 - clean carbon investment in the EU to meet 30% *domestic* greenhouse gas reduction, 20% renewable and 10% sustainable biofuels targets
 - Strategic technology transfer and investment in emerging economies
 - Climate change adaptation measures in poor countries
 - Support for combatting deforestation





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