

# Strengthening the Compliance Chain – The Compliance Forum as a Way Forward

Andrew Hitchings

Emissions Trading Manager – Environment Agency  
(England and Wales)

# EU ETS – Vital to Achieve EU Climate Change Gas Emission Reductions

- "Climate change is the gravest challenge facing mankind and emissions trading is the most effective policy instruments for tackling it." (Stavros Dimas, EC Environment Commissioner)
- EU has set ambitious goals, 20(30?)% reduction in green house gas emissions by 2020
- EU Emissions trading is the principal EU mechanism to achieve these ambitious goals
- To make emissions trading work we must have a system that is robust and has a high degree of compliance and consistency

# EU ETS – Moving the focus to Compliance and Verification

- Phase I & II –
  - Price (cap....)
  - Coverage
  - Allocation methodology
- Phase II -> III
  - Price
  - International linking
  - Compliance & verification

# EU ETS - Why do we need to strengthen the compliance chain?

- Any weakness in the compliance chain will distort the market and undermine the scheme
- Several reviews have identified inconsistencies with the compliance chain
  - ECCP reviews of the EU ETS on Further Harmonisation and Increased Predictability (2007)
  - ECCP review of the EU ETS on Robust Compliance and Enforcement (2007)
  - IMPEL Reports

# From the Executive Summaries

*“In order to ensure that a devolved scheme delivers in the same manner across the participants, consideration should be given to harmonising verification procedures”*

*“it is desirable to work towards more common approaches, to bring systems closer together”*

*“Enforcement - “a number of Member States impose sanctions in the case of non-compliance, while others do not foresee any sanction”*

*“The Commission would look favourable to a Forum of and with verifiers and MS”*

# Does the Directive Review support the Compliance Forum?

- A qualified yes as the EU ETS Directive review is still draft
- A new article 21.3 is proposed

*“The Commission shall organise an exchange of information between the competent authorities of the Member States concerning developments relating to issues of allocation, the use of ERUs and CERs in the Community scheme, the operation of registries, monitoring, reporting, verification, accreditation, information technology, and compliance with this Directive.”*

- If accepted by the Council and Parliament, will give the Commission a legal basis to regulate compliance issues (like monitoring, verification and accreditation)
- Will lead to greater harmonisation and help ensure that a tonne of CO<sub>2</sub> is the same for all the member states of the EU

# How would a forum strengthen and harmonise the compliance chain?

- Firstly and most importantly by improving communications
  - Allowing issues and best practise to be shared in an informal environment
  - Communicating interesting issues, court cases or good practise via a Newsletter
- Identifying issues that require resolution by a formal project approach
- Producing guidance and common interpretations
- Capacity Building
- Setting EU standards on what we mean by compliance and how we should achieve this

# Conclusions

- We have ambitious goals inside the EU for green house gas reduction
- The EU ETS is the principal mechanism to achieve these goals
- To make the EU ETS work in the long term we must have sufficient consistency and harmonisation to ensure consistent outcomes (1t CO<sub>2</sub> = 1t CO<sub>2</sub>)
- The compliance forum is a way forward to achieve these goals



**Andrew Hitchings**  
**Emissions Trading Manger**  
**Environment Agency (England and Wales)**

[Andrew.hitchings@environment-agency.gov.uk](mailto:Andrew.hitchings@environment-agency.gov.uk)