

**EU ETS Compliance Forum Event
Compliance Challenges for 2013 and Beyond: Making it
Simpler, more Efficient, more Effective
Brussels, 7-8 February 2012**

Opening address:

Good morning Ladies and Gentlemen,

It is a pleasure to be here today welcoming you to this EU Emissions Trading Scheme (ETS) Compliance Forum Event. It is the fourth time that we are meeting here in Brussels to discuss issues related to the EU ETS compliance framework.

Many things have changed since last time but of course the main development in the ETS monitoring, reporting and verification (MRV) field has been the completion of the revision process of the 2003 ETS Directive.

In fact the 14 December, last year, saw the Climate Change Committee approve the two draft ETS Monitoring & Reporting and Accreditation & Verification Regulations. Although they are yet to be adopted formally by the Commission (this is due to take place this spring), the questions that were still open at the last Compliance Conference have now been clearly answered.

The message resulting from the revision of the ETS Directive was that as from the third trading period the EU ETS must have a more harmonised approach, from allocation to registry, from monitoring and reporting to verification. I believe that the two draft Regulations fully address these points together with the other implementing measures. In other words we have now been able to build the overall strategic framework that will lead the EU ETS into its third trading period starting in 2013.

In fact, as of 2013, we will have an EU-wide cap for the EU ETS up to 2020 and beyond. This cap will get tighter year by year. Allocation will be fully harmonised across the EU with transitional free allocation on the basis of product benchmarks and auctioning as the default allocation method.

The Commission has adopted an Auctioning Regulation laying down the rules for the auctioning of allowances. The Commission has also prepared the rules for free allocation. Product benchmarks will serve as a basis for free allocation to industry as of 2013. In deriving these benchmarks, the Commission has made considerable effort to consult businesses, and has taken on board a large number of their comments. The benchmarks reflect the average performance of the 10% most efficient installations. Thus, they provide a strong signal for what is possible in terms of low carbon production. The Registry Regulation has been revised in order to establish a single Community registry and enable the inclusion of aviation. The EU ETS also addresses carbon leakage - when companies move their production out of Europe to parts of the

world with less ambitious climate policies - and how best to avoid it. Carbon leakage is detrimental to the economy and the environment. Sectors exposed to the risk of carbon leakage will therefore receive full free allocation until 2020 on the basis of the performance benchmarks per product.

The whole set of rules framing the EU ETS is designed to give long-term predictability to industry. Companies are required to monitor their emissions and to identify their reduction potentials. And, I assure you, this way, many companies participating in the EU ETS have been able to find new efficiencies and cut their costs for fuels. They then can better steer their energy demand and appropriate investments. In addition, they are now clearly guided in their investment decisions towards less carbon-intensive products and processes.

We all know how important it is that the rules governing monitoring, reporting, verification, compliance and enforcement are implemented in the same way across the EU otherwise the credibility itself of the EU ETS will be put at stake. They are a fundamental infrastructure of the system and the backbone to a successful market. Without this uniform implementation, transparency and predictability will not be possible.

We can say that now a clear strategic path on monitoring, reporting, verification and accreditation, has been defined. This will greatly contribute to better achieving targets and deliverables in our fight to control climate change.

Two major points are consequential to the approval of the two draft Regulations. The **first** is a confirmation that more transparency will be brought into the system and that an improved common level playing field at all levels of the monitoring and reporting of GHG emissions will be ensured. This will benefit all Stakeholders including ETS Competent Authorities.

The **second** is the overall enhancement in terms of the quality of the verified annual emissions reports that we will see in third trading period and beyond. In fact the strong link that we have now established between a uniform and strong accreditation of verifiers and precise rules of the verification itself will greatly improve sound verified emission reporting at the level of the installation.

We have repeated many times that one tonne of carbon, measured, reported and verified in one country should be exactly the same to one tonne measured, reported and verified in another country. I am very pleased to say that now, before the start of the third trading period, we have the tools that will allow us to better comply with this fundamental rule of the system.

As a result of the two forthcoming Regulations on Monitoring and Reporting and on Accreditation and Verification, our common role (Commission, Member States and Competent Authorities) in the compliance process has been strengthened. By being here today, having once again a public event within the Compliance Forum, it is itself

a confirmation of the validity of the peculiar governance system that we have undertaken to build around ETS compliance.

Our role does not end with the development of legislation. The exchange of best practices, the establishment of networks and working together are very important for the efficient and correct implementation of the system and for not repeating mistakes already made by others.

In a spirit of continuity with the three past conferences the different plenary sessions planned for today and tomorrow will be discussing concrete approaches to specific implementation issues.

In particular, you will see clearly the initiatives that the Commission is putting on the table with respect to development of guidance materials: user manuals, general and specific guidance, templates, examples and sets of frequently asked questions (FAQs). These are all clarifications and tools that will facilitate an even more correct interpretation and uniform implementation of the two draft regulations.

Obviously it is very important that Member States, Competent Authorities and the overall Compliance Forum are fully aware and fully able to participate in this process. I believe in these two days you will have many occasions to share with each other your relevant best practices and common solutions because that is very much the added value we expect from our debates of today and tomorrow.

Now I would like also to stress a few critical issues that are on your working agenda.

I would like to make a point here with respect to **the potential of fully using information technology (IT)** all along the chain (the workflow) of EU ETS compliance, and especially in the field of reporting. You will see again that there is a specific session dedicated to this issue scheduled for tomorrow as it was last time we met in 2010. Some progress has been made in trying to put together a common approach for the use of IT in ETS compliance. However there is still a gap between a minority of Member States that are quite advanced on this issue and the others. I believe it will be extremely beneficial to activate situations in which everybody can learn from each other and participate even more to the further project that the Commission plans to launch in this field.

With respect to participation I also would like to underline a point related to traditional **training and capacity-building** as a way to building-up more on the establishment of a common culture on compliance in the EU ETS. In the past we tried to explore the feasibility of establishing a training network of national experts dedicated to Monitoring, Reporting and Verification issues. We even tried to activate new instruments for learning from each other and exchanging information such as a "peer review" approach in the EU ETS. Unfortunately, I have to tell you that this project struggled last year to get the participation and interest it deserved from Member States. Clearly this was in part due to continued workload pressures, and the difficult economic situation in which the EU is currently operating. However I believe

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it is important that even in the framework of the Compliance Forum we continue to reflect on these issues trying to accommodate resources, availability and needs, identifying acceptable means and road maps including if necessary planning for the medium term. However, postponement to an even longer term may risk a missed opportunity and even constitute an error.

Before leaving the subject of peer review, please allow me to thank and commend those that did participate in the pilot study last year, namely the Netherlands and Denmark, as host Member States; and Poland, the United Kingdom, Estonia, Latvia and Portugal in making audit team staff available. You are due to hear more about the outcome of this initial study in the last session tomorrow and I hope that you will be encouraged to express support for peer review continuing in the future, particularly bearing in mind the highly beneficial exchange of information and best practice that can result.

Perhaps I am repeating myself, but I think we have an outstanding record of approving new legislative measures to enact improvements to the EU ETS since 2005. Once more this has been possible only because everybody has done his and her part in a positive mood of cooperation. To be fully equipped now for the start of the third phase of the system we need to go together through this process of definition of guidance and implementing technical specifications with the same spirit that animated our debates, reflections and contributions in the past months. The title of today's event "*Compliance Challenges for 2013 and Beyond: Making it Simpler, more Efficient, more Effective*" has never been more appropriate.

I wish you a productive discussion today and tomorrow and look forward to further improving the proper functioning of the EU ETS, now, in 2013, and beyond!

Thank you.