

**EU ETS 2<sup>nd</sup> Compliance Forum Event**  
***Moving towards the 3<sup>rd</sup> Trading Period of EU ETS***  
***Compliance:***  
***Keeping it simpler, more efficient and more effective***  
**Brussels, 1-2 October 2012**

**Opening address:**

Good morning Ladies and Gentlemen,

It is a pleasure to be here today welcoming you to this 2<sup>nd</sup> EU Emissions Trading System (ETS) Compliance Forum Event in 2012. We are meeting once again here in Brussels to discuss issues related to the EU ETS compliance framework.

Since the first Compliance Forum Event in February there has been a significant development in the ETS monitoring, reporting and verification (MRV) field: the two ETS Regulations on Monitoring & Reporting and on Accreditation & Verification have been finally adopted and enacted in the Official Journal, and an important number of follow-up guidance documents and templates to support their implementation have been endorsed by the Climate Change Committee.

We started with a requirement under Article 14(1) of the EU ETS Directive for the Commission to draw up Monitoring and Reporting Guidelines (MRG). The first Monitoring and Reporting Guidelines (MRG) was published 29 January 2004. The first Monitoring Plans for Phase I were based on these requirements. The MRG was then modified in light of our first experiences of monitoring and reporting in practice, resulting in the new MRG of 18 July 2007 for Phase II. Now we have built on experiences still further to develop the Monitoring and Reporting Regulation of 21 June 2012. There were no similar provisions made for Accreditation and Verification guidelines in the Directive. Only small sections of the MRG and documents like EA-6/03 (on Recognition of Verifiers under the EU ETS) have helped to ensure some consistency in our initial approach to verification requirements under the Directive. The Accreditation and Verification Regulation (adopted on 21 June 2012) represents a significant step forward to enhance consistency of verification and accreditation of verifiers. Both the Monitoring and Reporting and Accreditation and Verification Regulation have also sought to make implementation requirements simpler, more efficient, whilst at the same time appropriately effective.

The two Regulations, together with the other implementing measures on allocation and the Union registry, fully address the need, which emerged from the revision of the ETS Directive, for a more harmonised approach to EU ETS with view to the third trading period. We now have the overall strategic framework that will lead the EU ETS into its phase III starting in 2013.

As of 2013, we will have an EU-wide cap for the EU ETS up to 2020 and beyond, and the scope of the ETS will be extended to include other sectors and greenhouse gases. The cap will decrease annually. 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.

As you know, the Commission has laid down the rules for the auctioning of allowances with the adoption of an Auctioning Regulation. The Commission has also prepared the rules for free allocation. Product benchmarks are established to serve as a basis for free allocation to industry as of 2013. The benchmarks reflect the average performance of the 10% most efficient installations. Carbon leakage has also been addressed: In order to avoid companies moving their production out of Europe to parts of the world with less ambitious climate policies, sectors exposed to the risk of carbon leakage will receive full free allocation until 2020 on the basis of the harmonised allocation rules. Another review of the Carbon leakage list is due for 2014. A single Union Registry, including aviation, is now operating, with increased security measures brought by the revision of the Registry Regulation. In addition, with the inclusion of emission allowances in the Market in Financial Instruments Directive, oversight of the carbon market will in the coming years step up to the level of oversight in financial markets.

The way the EU ETS is now framed also aims to assist longer-term predictability for industry. The third and subsequent trading periods will run for eight rather than five year periods giving greater certainty for investments that are made, including to reduce carbon emissions. Since companies are required to monitor their emissions and to internally assess their reduction potentials, the EU ETS offers an incentive to find new efficiencies and cuts to fuel costs. In addition, this will help our transition to low-carbon technology and less carbon-intensive products and processes.

To ensure the functioning and the credibility itself of the EU ETS we need a uniform implementation across the EU of the rules governing monitoring, reporting, verification, compliance and enforcement. These rules are a fundamental infrastructure of the system and the key element for a successful market. Without a uniform implementation, transparency and predictability will not be possible. It is often said that monitoring, reporting and verification are at the heart of an effective EU ETS.

I am sure that the newly created clear strategic framework on monitoring, reporting, verification and accreditation will greatly contribute to better achieving targets and deliverables in our fight to control climate change.

We can envisage that the adoption of the two Regulations will lead to two important developments. 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 in the third trading

period and beyond. This will benefit all Stakeholders including ETS Competent Authorities.

The **second** development is the overall enhancement in terms of the quality of the verified annual emissions reports that we will see from phase III onwards. In fact the strong link that we have now established between a harmonised and strong accreditation of verifiers and precise rules of the verification will greatly improve confidence in sound verified emission reporting at the level of installations and aircraft operators, and overall.

Our motto has always been: one tonne of carbon reported should be exactly the same as one tonne emitted. Furthermore one tonne measured, reported and verified in one country should be exactly the same as one tonne measured, reported and verified in another country. I am delighted to say that now, before the start of the third trading period on 1<sup>st</sup> of January 2013, we have the tools in place that will allow us to better ensure compliance with this essential rule of the system.

Being here today and having another event under the framework of the Compliance Forum is a confirmation of the validity of the unique governance system that we have been building around the ETS compliance process. The adoption of the two Regulations on Monitoring and Reporting and on Accreditation and Verification means that our common role (Commission, Member States, Competent Authorities and other relevant organisations) in this process has been strengthened.

However, as previously recognised at the February Compliance Forum Event, our role is not limited to the development of legislation. The exchange of best practices, the establishment of networks and working together are key for the efficient and proper implementation of the system and for not repeating mistakes.

In a spirit of continuity with the three past Compliance Forum conferences and with the first 2012 Compliance Forum Event the different plenary sessions planned for today and tomorrow will be discussing specific implementation issues, especially related to phase III of the EU ETS. In my opinion, this particular event could hardly be more-timely for raising further awareness of the new requirements and guidance, templates and systems that have been developed to assist all-concerned in the now required application of the new Regulations. This is especially the case regarding the need for all of you to confirm new monitoring plans for Phase III by 31 December 2012. It is also timely to review the guidance, templates and systems that have likewise been developed to support implementation of the Accreditation and Verification Regulation, recognising that there are lead-in times associated with necessary peer reviews of National Accreditation Bodies and new accreditation requirements concerning verifiers.

During this event, I understand that we will also present the results of the projects that the Commission has been undertaking with respect to development of guidance materials to ease the implementation of both the Regulation on Monitoring and

Reporting and the Regulation on Accreditation and Verification. General and specific guidance and templates are already available, and further supporting material is under development, including examples and sets of frequently asked questions (FAQs). These are all aimed at providing further clarification and tools that will facilitate an even more correct interpretation and uniform implementation of the two Regulations. We also hope to hear feedback on Member States' first experiences regarding operator and aircraft operator submissions in relation to new monitoring plans and Competent Authority approvals, and suggestions for further guidance requirements where a need has been identified.

I would like to stress the importance of the active involvement in this process of each Member State, Competent Authority and of the overall Compliance Forum. I believe in these two days you will have many occasions to share your relevant best practices and common solutions. The February Compliance Forum Event provided an excellent exchange of views that helped to promote mutual awareness of issues and greatly contributed to the direction of the 2012 guidance projects. I expect the debates of today and tomorrow to be equally fruitful regarding the sharing of information and finding optimum solutions.

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

You will see (again, as in February) that there is a specific session dedicated to **the potential of greater use of information technology (IT)** all along the compliance chain of EU ETS, and especially in the field of reporting. This is scheduled for tomorrow, and this particular session is also being made accessible to some industry representatives to seek viewpoints from the wider EU ETS perspective. Some progress has been made under the Monitoring and Reporting Regulation to accommodate options for more consistent uptake and application of IT in the ETS compliance processes. I refer specifically to Chapter VII and the articles that deal with electronic data exchange formats and use of automatic systems. However there is still a considerable gap between a minority of Member States that are quite advanced on this issue and the others that have yet to realise the potential advantages of IT and who could benefit. I fully support the further discussion of this subject during this event in order to advise the new Emissions Trading Electronic Reporting Project that the Commission has planned in this field and also the on-going work programme of the Compliance Forum Task Force on E-Reporting.

With respect to encouraging more active involvement of all Member States and as a way to building-up a more common culture on compliance in the EU ETS, I would like to note the positive response received from Member States to participate in a further **"peer review"** project in 2013. At the Climate Change Committee in July, the Commission received confirmed expressions of interest from a number of Member States volunteering to become either members of the peer review team or to undergo the peer review. We very much welcome this enthusiasm for greater roll-out of peer review because of the advantages for mutual exchange of information and best

practice that it brings. You are due to hear more about this forthcoming project in the last session tomorrow and I hope that you will be encouraged to express further support for peer review in the future.

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. We are now fully equipped for the start of the third phase of the system, with guidance and templates. However, we still need the same spirit and constructive approach that has characterised our debates, reflections and contributions in the past months; collaboration and exchanges of experiences remain fundamental for the new phase. I close by reminding you that the title of the February Compliance Forum Event was "*Compliance Challenges for 2013 and Beyond: **Making it simpler, more efficient and more effective***". This recognised that supporting guidance, templates and systems were about to be developed. I think that the title of today's event "*Moving towards the 3rd Trading Period of EU ETS Compliance: **Keeping it simpler, more efficient and more effective***" is entirely appropriate in recognising that the guidance is now available and endorsed for Member States use.

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

Thank you.