

EU ETS 4th Compliance Conference

Effective ETS Compliance and Enforcement for 2013 and Beyond

MAIN ADDRESS

Introduction

- Good morning Ladies and Gentlemen,
- It gives me great pleasure to join you here today to welcome you all very warmly to this 4th EU Emissions Trading System (ETS) Compliance Conference. We meet once again here in Brussels to discuss issues related to the EU ETS compliance framework, but before progressing on to the business of the day, I think that it is well worth reflecting on the staggering achievements that have been made to date
- Today, 3rd of June is, coincidentally, the exact 15th anniversary of the first document produced by the Commission mentioning the possibility of an EU Emissions Trading Scheme.
- Fifteen years seems a long time ago, but compared to the lead in times for many other forms of environmental control, it's not so long. Other initiatives like the Large Combustion Plant Directive, the Waste Incineration Directive and Integrated Pollution Prevention and Control were all published with much longer lead-in times (some

10 years compared to less than 15 months for ETS). ETS also proposed a completely novel form of emissions control for Europe, "cap and trade" as opposed to so-called "command and control" measures, based on emission limit values. ETS involved many new operators, new market intermediaries, new competent authorities (or competences anyway) and, dare I say, an altogether new "species" called "verifiers".

- Bearing in mind the steep learning curve to all involved, it is nothing short of remarkable that the ETS did indeed commence operation on 1st January 2005, just 14 months and 6 days after publication of the Directive.
- I know that many Member States did (and had to) develop various new practices in order to meet this pace of implementation, such as ETS-specific web-sites and helpdesks, templates and guidance, road-shows, centralised competent authority teams and shared meetings between representatives of operators, the competent authorities and verifiers to ensure common understanding and minimised duplication of each other's roles and responsibilities.

1. Effective Compliance and Enforcement

- Effective implementation has always been of paramount importance to the EU ETS, not least due to the financial value associated with the emission of a tonne of CO₂ and the need to maintain confidence in an equal and fair

system. How many times have you heard the importance to ETS of a 'tonne being a tonne'?

- Of course, I do not need to tell this audience of the key role played by monitoring and accurate reporting in maintaining ETS confidence. It is interesting to note that the document that I first mentioned, from fifteen years ago, also noted the importance; I quote: "*Trading requires a high degree of certainty in monitoring actual emissions*". The original ETS Directive duly made provision and the first Monitoring and Reporting Guidelines (MRG) were published as a Commission Decision in 2004, establishing key concepts which remain essential.
- Further work started almost immediately to build on practical experience with a view to improving the guidelines for ETS Phase II, in particular as regards user-friendliness and cost-effectiveness. At the time this was seen by some as "*fine-tuning*".
- Since then, experiences have been further built upon to develop the Monitoring and Reporting Regulation of June 2012 for ETS Phase III, this time under a motto of "*evolution, without revolution*". Both "*fine tuning*" and "*evolution without revolution*" indicate an underlying intention to make improvements without unnecessary loss of familiarity or radical changes.

- In parallel to development of the Monitoring and Reporting Regulation, we now also have the ETS Accreditation and Verification Regulation. This can be expected to deliver major advances in the consistency of both verification and accreditation of verifiers, which is imperative to underpin the now required mutual recognition of verifiers.
- For both monitoring and reporting, and accreditation and verification, I am pleased to see work continuing to propose common templates and guidance to assist Member States and to promote more efficient implementation. Let me at this point specifically acknowledge the further work also being done by the European cooperation for Accreditation and the recently formed Compliance Forum Task Force for Accreditation and Verification.
- Together with the other significant developments that have been brought forward under the revised ETS Directive (including adoption of the Auctioning Regulation, Community-wide implementation measures, an EU-wide cap for emissions, and the Registry Regulation accommodating the single Union Registry, aviation requirements and added security measures), I believe that the EU ETS has never been better equipped to deliver compliance and enforcement more consistently, efficiently and effectively.

2. The Advantages of Sharing (A Problem Shared is a Problem Halved)

- The Commission has always attempted to conduct a consultative and iterative approach with Member States and other key stakeholders throughout the lifetime of ETS development. This has not only been to promote better understanding and acceptance, but also to capture and incorporate best practice and ideas. Many of you are probably familiar with the dealings of the Climate Change Committee and its Working Group III (Emissions Trading) in this regard, but it is also important to acknowledge the increasingly invaluable role of Member State experts at informal Technical Working Groups (TWGs) under WG III and in the various Task Forces of the Compliance Forum. It is to the tremendous advantage of the EU ETS that such TWGs and TFs (Task Forces) are able to bring "on-the-ground" knowledge and expertise to the early deliberations concerned.
- Looking at the conference programme, I see many opportunities for all Member States and attendees to participate and to raise their particular ideas and concerns. This is not only in the break-out sessions and panel discussion scheduled today, but also in response to the various presentations planned tomorrow. I really do encourage everyone to make the most of what looks to be a very informative programme.

- Establishing networks and working together is so important to the effective implementation of ETS. Therefore, I also urge you to continue your contacts after the conference, including through the Compliance Forum's Task Forces. I note that Task Force points of contact are included in the Compliance Forum Newsletter.

3. Additional Points

- Before closing, I would also like to raise three final points that I consider particularly relevant at this time.

Point 1:

- First of all I would like to take this opportunity to state considerable appreciation in connection with recent additional efforts on aviation. The Commission is aware of the exceptional circumstances you have been facing due to "stop-the-clock". We would like to thank you for the good cooperation with the Commission.
- To maintain the credibility of the EU law and ensure a level-playing field, relevant enforcement actions need to follow the "stop-the-clock" decision.
- The initial enforcement actions should start now in a coordinated way across the EU Member States. This action should follow the regular administrative steps and time-lines foreseen in the national legislation of the Member States.

- Strong coordination between the Commission and the relevant competent authorities should be maintained to ensure appropriate sequencing and consistency of messaging – and to minimise spill-over effect to the on-going ICAO negotiations.

Point 2:

- The second and perhaps most important thing that I would like to bring to your attention is that despite some of the on-going challenges regarding the lower than expected carbon price, the ETS is the backbone of EU strategy to reduce greenhouse gas emissions and is a proven success in so many regards. The EU ETS is achieving the aim to promote reductions of greenhouse gas emissions in a cost-effective and economically efficient manner. It therefore remains highly relevant and worthwhile to continue the iterative and "life-long learning" process that is possible within ETS to promote ever-greater harmonisation, cost-effectiveness and confidence. Your conference is well-timed for Member States to continue helping each other with correct understanding of the new requirements for Phase III and to promote the most efficient means to meet them.

Point 3:

- My third point further endorses the credibility of EU ETS, this time based on the fact that Europe's ETS is often seen as a "path-finder" by the rest of the world. China, for

example, has concluded from its review that EU ETS is the best model to follow. I understand that translations of the ETS Monitoring and Reporting and the Accreditation and Verification Regulations into Chinese are 'best-sellers' (apparently everyone wants copies). In addition, a number of other countries are actively investigating linking possibilities, perhaps most notably Australia and Switzerland. The possibility of global linking or linkages remains a real possibility and your endeavours in explanations provided to counterparts outside of Europe remain valuable and greatly appreciated.

- It can be added that MRV is also one of the key points of the World Bank programme "Partnership for Market Readiness" in which we are very active. The Partnership for Market Readiness is helping 16 developing countries and emerging economies in using market instruments in the context of their low-carbon policies.

Conclusion

- Finally, I want to say that 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. We have an outstanding history of approving new legislative measures to enact improvements to the EU ETS since 2005 and with astonishingly rapid implementation. This has only been

possible because everybody has done his and her part in a positive mood of cooperation. We are now better equipped in terms of legislative requirement and associated guidance than ever, which augurs extremely well for ETS Phase III and beyond. We will still need the same spirit and constructive approach that has characterised our previous debates and work, but in the light of the increasingly active participation in information exchange, including through the Compliance Forum, there is absolutely no reason to doubt this happening.

- I wish you highly productive discussions today and tomorrow and look forward to further improvements in the "Effective Compliance and Enforcement of ETS in 2013 and Beyond".
- Thank you.