

MANDATE

Working Group 1 of the European Climate Change Programme: “Flexible Mechanisms”

(1) OBJECTIVE

The objective of each WG is to identify and develop the most important elements in the area of (e.g. energy supply, energy consumption, transport, etc.) that are necessary for the implementation of the Kyoto Protocol. This preparatory work, achieved by a co-operative effort of all stakeholders, will enable the Commission to propose in due course concrete policy proposals to Council and the European Parliament.

(2) SCOPE

In an initial phase, the Working Group shall concentrate on the possible development of an EC-wide framework for emissions trading and the necessary regulatory framework. This phase will include examination of the methodology for the fixing of objectives for participating companies, and examination of the inter-linkages with environmental agreements, and other regulation and policies and measures. In a second phase, the Working Group shall look at Joint Implementation and the Clean Development Mechanism, once the 6th Conference of the Parties to the UNFCCC has established more clearly the rules for their operation.

The purpose is not to duplicate responses being prepared by interested parties to the 10 questions contained within the Green Paper, but rather to deepen the issues raised. The Working Group seeks to generate consensus on the appropriate basis for an EC policy framework(s), and on the appropriate role for the Community therein. Where consensus cannot be reached, differences of opinion will be recorded. The issues that would be addressed in this Working Group should be of a more technical nature with a view to problem solving (rather than defending sectoral interests).

(3) WORK-PROGRAMME

The following work programme is outlined in the order in which the Working Group will address the items. A non-exhaustive list of technical questions is included.

(a) Objective setting

What methodology could be used for defining suitable objectives for sectors and entities engaged in emissions trading? What relation can there be between setting objectives for emissions trading and setting objectives for environmental agreements? The period of interest is primarily that between 2005 to 2007. The relationships between the assumption of objectives and the regulatory framework (IPPC and LCP Directives, energy taxation) should be examined. Particular regard to the regulatory framework should be made with regards defining the trading population, in respect of which the Working Group will identify the numbers of installations that could assume

objectives within the different sectors covered by the Green Paper (Table 1) and other relevant legislation.

(b) How to recognise early action?

Questions to address include: what benchmarks, base year(s) or periods would be most appropriate for the purposes of fixing objectives and avoid “perverse effects” of discriminating against those who have taken early action? If performance standards were to be incorporated into the setting of objectives, what standards would be most appropriate? How are existing environmental agreements to be taken account of? There is a close link between this reflection and objective setting.

(c) Co-existence with wider trading schemes

Can a CO₂ only Community scheme be made compatible with a 6 gas scheme covering a larger number of sectors than might exist in individual EU or EEA countries? In particular, how might “gateways” be designed that allow a CO₂ only system interact with a 6 gas scheme to a lesser or greater extent? In the longer time-scale, how can compatibility be ensured with international emissions trading under the Protocol from 2008? Before then, can linkages be developed with schemes outside the EU? What relationships can be established between emissions trading and environmental agreements?

(d) Regulatory infrastructure

What requirements should be imposed on installations that are either participating in emissions trading or environmental agreements in terms of monitoring, reporting and verification? What institutional infrastructure could be used to regulate the fulfilment of objectives, and what processes and sanctions need to exist for ensuring compliance? Can the institutional infrastructure build upon infrastructure existing under other regulatory frameworks (IPPC, LCP, etc.)?

(e) Fair competition & Internal Market

What principles and/or guidance can be formulated for the method in which allowances are allocated to emitting sources? Such principles and guidance should take into account (and make more explicit) the revised guidelines on state aid and environment policy. Options can be examined whether such principles or guidance should be incorporated into a specific Directive or into the environmental state aid guidelines. A further dimension of this issue is to consider the compatibility of using different instruments (emissions trading, environmental agreements or taxation) within different Member States for installations within the same economic sector. How could comparability of effort be ascertained?

(4) ORGANISATION/TIMETABLE

The WG should aim to have 10 meetings in its initial phase. A “kick off meeting” would be organised that would agree the structure of the work programme, as well as opening discussion on one of the technical questions. A suggested schedule of meetings is attached as Annex 1. Use will be made of the ECCP electronic forum, in particular for the agreement of records of meetings and draft conclusions.

Selected participants would be requested to write issue papers to facilitate discussion. Furthermore, the Chairman would present a working paper for each meeting. Draft conclusions would be drawn up after each meeting and agreed. Each meeting would agree the minutes and draft conclusions of the previous meeting. An interim report would be submitted to the Steering Committee after 5 months from the “kick-off” meeting, accompanied by the records of meetings and conclusions reached. A final report (after 10 months) would be produced that should also take into account the submissions to the Commission’s Green Paper, that would be copied to all participants and discussed by the Working Group.

(5) PARTICIPANTS

See attached Annex 2. Given the nature of the work, it is not envisaged to rotate members of the Working Group. It is for “members” and “alternates” to decide between them which is to sit at the table. Only one place at the table will be allowed for each “member”, although “alternates” can attend at the same time as the “member” *as an observer*.

ANNEX 1 – Timing of meetings

Dates of meetings and subjects

Meeting 1: Tuesday 4 July 2000 (date confirmed)

Agenda:

Morning: Presentation by Mr Brian McLEAN, Director, Clean Air Markets Division of the US Environmental Protection Agency on the practicalities of the sulphur and NOx trading schemes.

Afternoon: Session of the Working Group.

Meeting 2: Wednesday 19 July 2000 (date confirmed)

Meeting 3: Tuesday 26 September 2000 (date confirmed)

Meeting 4: Wednesday 18 October 2000 (date confirmed)

Adoption of interim report.

Meeting 5: Wednesday 6 December 2000 (date confirmed)

Meeting 6: Wednesday 10 January 2001

Meeting 7: Wednesday 14 February 2001

Meeting 8: Wednesday 14 March 2001

Meeting 9: Wednesday 4 April 2001

Meeting 10: Wednesday 2 May 2001

Agreement of final report.

ANNEX 2 – Participants

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