



Brussels, 28 September 2000
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**SUMMARY RECORD OF THIRD MEETING:
ECCP WORKING GROUP 1
26 SEPTEMBER 2000**

Present: see list attached (as Annex 1)

Chaired by Jos DELBEKE, Head of Unit DG ENV.A.2, and in his absence, by Peter VIS (DG ENV.A.2)

1. Adoption of agenda

The draft agenda was adopted without amendment.

2. Adoption of record of previous meeting

A few minor changes were requested to be made to the draft record of the previous meeting. An amended record would be submitted for adoption at the next meeting.

3. First exchange of views on Background Document 3 “Fair competition and internal market issues”

After an introduction of the Background Document, a number of views were expressed on the subject under discussion. Generally speaking, these comments were not on the text of the Background Document. They included a discussion of the Burden Sharing Agreement, and its possible impacts on competition within the internal market. Some considered that the Burden Sharing Agreement was founded on equity, and others were of the opinion that it would distort the “level playing field”. The forthcoming “Community guidelines on state aid for environmental protection” were discussed. The absence of DG COMPETITION was regretted by several participants. The Chairman invited the meeting to add value to the draft guidelines as they stood – as summarised in paragraphs 3.2 and 3.3 of the Background Document – by agreeing criteria against which unfair competition could be judged.

It was felt by Ms MOGFORD (ETG) that all climate change policies were likely to have an impact on competition, not just emissions trading – that should not be singled out for particular treatment. Differences in approach to climate change policies between Member States were inevitable. Domestic emissions trading

was, after all, just another policy and measure. Indeed, Ms SIMONS (UK) believed that emissions trading could be less distortionary than other policies and measures. Parallelisms between taxation and emissions trading could only go so far, as Article 93 of the Treaty specifically mandated such indirect tax harmonisation as is necessary for the establishment and functioning of the internal market, whereas no such comparable provision existed in respect of emissions trading.

Mr HEERINK (CEFIC) considered that proportionality was a key component in the evaluation of competition concerns.

A lengthy discussion followed on fairness and efficiency. Several members considered that it would be extremely difficult to ensure “equivalence of effort”. Having to look at all the policies and measures in all Member States ran the risk of “analysis paralysis” – the time taken to analyse being such that nothing was done in the meantime.

The need to harmonise other climate change policies and measures was debated, the counter-argument being that if the Commission does not analyse other policies and measures, why should it do so for emissions trading? However, it was accepted that the tradeable nature of allowances was different, and sales of these could potentially be used to subsidise “exports” to other Member States. Indeed, this was the rationale behind the Commission’s decision on the Danish CO₂-quota scheme (the decision of which would be circulated to members for information).

In the opinion of Mr LEFEVERE (FIELD), there need to be rules or criteria against which a case-by-case analysis can be made. Alternatively, there could be harmonised rules that entail no state aid scrutiny. Ms MOGFORD (ETG) questioned the assumption that grandfathering comprises state aid. The meeting as a whole was agreed that the only problem would be “incompatible” state aid. The discussion centred on Article 87. Mr COATES (UK) believed that distinction should be made between national and multi-country trading schemes. He argued that an over-supply of permits will depress prices in a closed domestic system, thereby minimising state aid concerns. However, in an open system, where the price of permits is internationally determined (or determined on a European level), entities might profit unduly by an over-allocation by their government.

The Chairman concluded the discussion by observing that the debate within the group was far from finalised. Indeed, the complexities of the issue being treated were such that there would be benefit in coming back to this issue when the “smoke had cleared”. In the debate about “fairness and efficiency”, the concerns mostly centred on fairness, and particularly the fairness of allocation methodologies, as opposed to the efficiency of how the trading could work once started.

4. **Continuation of exchange of views on Background Document 1 (rev.2):
“Objective setting in the context of emissions trading and voluntary
agreements”**

The discussion was focussed – paragraph by paragraph – on the revised version of the Background Document 1. Even after 2 rounds of discussion, differences of approach remain. Paragraph 1.11 was a sticking point that could not be resolved in the time available. There remain within the group those that believe emissions trading can only be subject to an overall absolute cap, and those that believe an overall relative target could still be a basis for emissions trading. In the latter case, it is argued, the environmental outcome of emissions trading would be no more uncertain than other policies and measures. A re-draft would be made and circulated for comments by e-mail. It was agreed, however, that the group should not try to agree every word of Background Documents, but should rather try and agree with the major elements of these Documents.

5. **Continuation of exchange of views on Background Document 2 (rev.1):
“Allocation methodologies and recognition of early action”**

Due to lack of time, discussion of this item was postponed to the next meeting.

6. **Any other business (including organisation of further work)**

Further written comments on Background Document 3 were requested. Furthermore, a revised draft of Background Document 1 would be circulated by e-mail. Time constraints required that this document be left aside for a while in the meetings – without excluding the possibility of coming back to the subject in due course.

The Chairman clarified what the intentions were for the next couple of meetings or so, but emphasised that he was open to the Group’s wishes. The next meeting would have to adopt the interim report that, it was agreed, would be a short “non-attributable” summary of the discussions so far. The Background Documents discussed so far would be annexed, but with the qualification that these were still “work in progress” and that the contents were not agreed unanimously by the Working Group’s members. If time permitted, a draft interim report would be circulated for a first round of comments in writing before the next meeting.

Date of next meeting was confirmed as taking place on 25 October 2000 (10h00 until 18h00). It will take place in Room 0/C at the offices of DG Environment: 5, Avenue de Beaulieu, B-1160 Brussels.

Peter VIS
Principal Administrator
Secretary to Working Group 1

Annex 1

ECCP Working Group 1

Third meeting: 26 September 2000

NAME	Organisation
DELBEKE Jos (Chairman)	DG Environment, Unit A2
VIS Peter (Secretary)	DG Environment, Unit A2
WEMAËRE Matthieu	DG Environment, Unit A2
VANHEUKELEN Marc	DG Environment, Unit B2
ZAPFEL Peter	DG Environment, Unit B2
HAYDEN Mark	DG Economic & Financial Affairs
VON SCHOLZ Hans-Eike	DG Transport and Energy, Unit A3
FÜHR Vivien	DG Transport and Energy, Unit A3
THEIHS Norbert	DG Transport and Energy, Unit E3
CANEILL Jean-Yves	EURELECTRIC
DE LANNOY Rose	EURELECTRIC
WOLLANSKY Traude	Environment Ministry, Austria
BECKER Jean-Jacques	Ministry of Economics, Finance & Industry, France
SCHAFHAUSEN Franz-Josef	Environment Ministry – Germany
JOHANSSON Niklas	Swedish National Energy Administration
LEANDER Asa	Swedish National Energy Administration
COATES Ian	Department of Environment, Transport and the Regions, United Kingdom
SIMONS Jo	Department of Environment, Transport and the Regions, United Kingdom
KENBER Mark	World Wildlife Fund (WWF)
BOYD Chris	European Round Table (ERT)
WRIGLESWORTH Mike	Union of Industrial and Employers' Confederations of Europe (UNICE)
HEERINK Bertil	European Chemical Industry Council (CEFIC)
BRADLEY Rob	Climate Network Europe (CNE)
MOGFORD Margaret	UK Emissions Trading Group (ETG)
HEIN Joachim	BDI
BALOCCO Francesco	International Federation of Industrial Energy Consumers (IFIEC)
LEFEVERE Jürgen	Foundation for International Environmental Law and Development (FIELD)