



Brussels, 15 March 2001
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**SUMMARY RECORD OF SEVENTH MEETING:
ECCP WORKING GROUP 1
14 FEBRUARY 2001**

Present: see list attached (as Annex 1)

Chaired by Jos DELBEKE, Head of Unit DG ENV.E.1 and in his absence, by Peter VIS (DG ENV.E.1)

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, and the amended record was adopted.

3. Presentation by Mr. Ned HELME, Executive Director of the Center for Clean Air Policy (Washington, DC) on the study being conducted for the European Commission entitled: "Study on the monitoring and measurement of greenhouse gas emissions at plant level in the context of the Kyoto mechanisms".

Mr Ned HELME explained the preliminary conclusions of the study on monitoring that the Center was carrying out for the Commission. One of the conclusions was that monitoring of CO₂ was most feasibly done through calculation (as opposed to estimation or Continuous Emissions Monitors (CEMs)). Data on the sectors covered by the Commission's Green Paper was being developed. The preliminary findings preferred a direct attribution approach for emissions allocation and measurement. Existing Community provisions (e.g. on Integrated Pollution Prevention and Control, European Pollution and Emissions Register, Large Combustion Plant & Eco-Management and Audit Scheme) were being scrutinised to find what foundations could be built upon. The respective roles of the Commission and the Member States were being examined. The presentation was followed by a "Questions and Answers" session. During this session, the relation between financial and environmental auditing was discussed, and several participants underlined the importance of comparability of data. Commercial secrecy was also raised.

The slides presented by Mr HELME can be obtained by contacting the Secretary.

In conclusion, the Chairman underlined the importance of monitoring, verification, reporting and compliance. Everyone present agreed that it can be done, and indeed should be done well if emissions trading was to be an effective market-based instrument of environment policy. A “top-down” approach as the default with the possibility of “bottom-up” was widely supported.

4. **First exchange of views on Background Document 7: “Monitoring, reporting, verification (MRV) and compliance”**

After the Document was presented a discussion followed in which there was a clear divergence between the positions of Government experts: Mr BUREAU (France) and Mr BROCKHAGEN (Germany) agreed with the need for co-ordination and the highest standards to be determined at Community level. Mr COATES (UK) disagreed. No Government wants to be cheated by its entities, and it is in the Government’s interest to enforce high standards. In this case, it should be enough for the Commission to set down guidelines. However, Mr LEFEVERE (FIELD) emphasised that the incentives for Member States to ensure that their entities performed well depended on the degree of incentive coming from the “higher” levels of either the Community or the Protocol.

The role of accredited verifiers was not mentioned in the paper, but it was likely that Governments would want to see them have a role in verifying the monitoring of emissions and reporting. The setting of the base-period emissions was also not discussed. Neither was there mention of the need for speedy and automatic sanctions in the case of a breach of compliance – given the speed at which market mechanisms work.

On Section 7.1, and in the light of the presentation by Mr HELME, it was suggested by Ms MOGFORD (ETG) that the paper incorporate the agreement within the Group that calculation was the most feasible and accurate means of monitoring CO₂ emissions.

On compliance (Section 7.3), in the pre-Kyoto period there was perhaps not the same need for strict compliance as during the commitment period. Indeed, it was noted, in the Danish scheme penalties were low, and the UK scheme will be voluntary. Finally, as the price of permits is not known in advance of trading, it is difficult to know at what level to set penalties. Although a “credit-and baseline” approach may run no risk of “over-selling”, the penalty rate must be high enough to ensure that companies either take action to reduce their own emissions, or buy enough permits to cover their excess of emissions. Mr HEIN (BDI) expressed the BDI’s opinion that Member States’ compliance regimes should be co-ordinated at EU level.

Section 7.4 on Liability gave rise to several comments, and consideration would be given to dropping this section in further revisions of the document.

Generally speaking, there was a common wish that emissions trading should not be treated differently from other policies and measures, several of which required monitoring and compliance provisions.

In the Chairman's summary of the discussion, he underlined the distinction that should be made between the MRV and compliance provisions that were necessary to make trading work, and those in respect of the obligations (both of Member States and the Community) in the context of the Protocol as a whole.

5. Continuation of exchange of views on Background Document 3 "Fair competition and internal market issues"

Several participants regretted the absence of DG COMPETITION, who had been expected to attend. The Chairman reminded the meeting that the views expressed in the Background Document did not commit the Commission, and DG COMPETITION in particular, to any particular point of view regarding competition issues.

While the document largely won the approval of participants, there was a lengthy discussion on "fairness". It was agreed that any systematic misuse of allocation in such a way as to distort competition must be avoided. Mr BALOCCO (IFIEC) believed that only by adopting the same method of allocation throughout the Community would distortions of competition be avoided.

It was agreed that the stringency of targets and the method of allocation did not affect the efficiency of emissions trading as an instrument. Furthermore, emissions trading was intended to benefit firms that did more to reduce their emissions, but it would also be of benefit to firms that chose to do less (in comparison with what they would have to do through other policies and measures but without the flexibility of trading). Other policies and measures often have unequal distributional effects. The particular problem of plant closures under an allowance based trading scheme was raised also. Leakage was definitely undesirable, but there were no obvious practical ways of preventing windfall benefits from closure (or relocation). Only by extending the geographical scope of emissions trading could the problem of leakage be reduced.

6. Discussion of outline of draft final report – request for contributions

The Secretary to the Working Group proposed an outline of the final report. This would comprise of essentially a similar form and structure as the interim report, with the addition of a series of recommendations coming from the Working Group. These recommendations would have to be agreed unanimously within the Group to have an impact. It was requested that recommendations be sent to the Secretary by the close of business on Tuesday 6 March. A list of these proposed recommendations would be discussed at the next meeting.

7. Any other business

Mr BOYD (ERT) raised the issue of participation of industry representatives at the kick-off meeting of the JI-CDM Subgroup. It was agreed that great efforts would be made by the industry side to attend the 2 days workshop of the Subgroup planned for 22-23 March 2001 in Brussels.

Date of next meeting was confirmed as taking place on 14 March 2001 (10h00 until 18h00). It will take place in Room 0/C at the offices of DG Environment:

5, Avenue de Beaulieu, B-1160 Brussels. A new Background Document would be prepared on “The coverage of emissions trading in the Community”.

Peter VIS
Principal Administrator
Secretary to Working Group 1

Annex 1**ECCP Working Group 1****Seventh meeting: 14 February 2001**

Name	Organisation
DELBEKE Jos (Chairman)	DG Environment, Unit E1
VIS Peter (Secretary)	DG Environment, Unit E1
HELME Ned (invited speaker)	Center for Clean Air Policy
RUNGE-METZGER Artur	DG Environment, Unit E1
WEMAËRE Matthieu	DG Environment, Unit E1
MAJLATHOVA Ludmila	DG Environment, Unit E1
ZAPFEL Peter	DG Environment, Unit A1
HAYDEN Mark	DG Economic & Financial Affairs
KARSTRÖM Hakan	DG Transport and Energy, Unit A3
LORENZ-MEYER Stefan	DG Enterprises - E.2
KOSONEN Katri	DG Research
HARDERS Enno	Federal Ministry for Environment /Germany
BROCKHAGEN Dietrich	Federal Ministry for Environment /Germany
BEISTEINER Dieter	Environment Ministry, Austria
BUREAU Dominique	MATE - France
BECKER Jean-Jacques	Ministry of Economics, Finance & Industry, France
JOHANSSON Niklas	Swedish National Energy Administration
LEANDER Asa	Swedish National Energy Administration
COATES Ian	Department of Environment, Transport and the Regions, United Kingdom
CHAMBERS Paul	Department of Environment, Transport and the Regions, United Kingdom

BOYD Chris	European Round Table (ERT)
MITTELBACH Klaus	BDI - Germany
HEIN Joachim	BDI - Germany
MOGFORD Margaret	Emissions Trading Group - UK
KYTE Bill	Emissions Trading Group - UK
CANEILL Jean-Yves	EURELECTRIC
DE LANNOY Rose	EURELECTRIC
BALOCCO Francesco	International Federation of Industrial Energy Consumers (IFIEC)
BRADLEY Rob	Climate Network Europe (CNE)
LEFEVERE Jürgen	Foundation for International Environmental Law and Development (FIELD)