



Brussels, 6 April 2001
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**SUMMARY RECORD OF EIGHTH MEETING:
ECCP WORKING GROUP 1
14 MARCH 2001**

Present: see list attached (as Annex 1)

Chaired by Peter VIS (DG ENV.E1)

1. Adoption of agenda

The draft agenda was adopted without amendment.

2. Adoption of the Summary Record of 7th meeting held on 14 February 2001

The draft record of the previous meeting was adopted with one minor amendment.

3. First exchange of views on Background Document 8: “Defining the coverage: trading population and gases”

The Chairman introduced Background Document 8. In particular he emphasised the distinction between setting emissions obligations for participating sources, and the allocation and trading of allowances that could serve as fulfilment of these obligations. In other words, targets should be distinguished from trading.

In the discussion that followed, the question whether participation in emissions trading should be mandatory or not was debated: some members agreed with that participation should be mandatory, others strongly disagreed. Mr HEIN (BDI) emphasised that the BDI is opposed to mandatory participation. The link between emissions trading and existing voluntary agreements was discussed, some seeing the latter as a useful “transitional” measure in the longer-term evolution towards emissions trading. Several participants felt that to make emissions trading mandatory would detract from the implied flexibility embodied in the Burden Sharing Agreement, where each Member State’s individual circumstances were taken into account. Nevertheless, several representatives from industry believed that competitive distortions would arise as a result of the Burden Sharing Agreement, notwithstanding that it might equalise the marginal cost of abatement more than other policies and measures (as argued by some others). Several members were open to a possible distinction being made between the period prior to 2008, during which time participation should not be mandatory, and the

commitment period itself, at which time the legal commitments of the Kyoto Protocol may make a mandatory scheme more acceptable.

The coverage of the emissions from the power and heat sector was discussed at some length. The arguments for emissions trading on a “direct” or “indirect” basis were reviewed again, in particular with a view to ascertaining which method would provide the right incentives. The efficiency of the price signal was also debated. The majority of the Group supported a “direct” emissions approach and the inclusion of power and heat generators, in part due to the complexities of establishing, up-dating and applying carbon emissions factors for electricity consumed. Some members of the Working Group pointed out that it might be feasible to account for both “direct” and “indirect” emissions without any significant double counting. On thresholds, it was largely agreed that a 50MW threshold was too high for the power and heat sector. It was also questioned whether an installed capacity threshold would be the most appropriate, and emission thresholds were offered as an alternative to consider.

On inclusion of the gases, the Group was in favour of emissions trading being open to all 6 Kyoto greenhouse gases subject to their satisfactory monitoring, reporting and verification. Standards of accuracy should be set, and any of the gases could be traded subject to the satisfactory meeting of those standards.

Some members wished that credits from off-set projects could be admitted towards fulfilment of the obligations for entities. Whether JI and CDM credits should be admitted remained controversial, but members generally agreed that if the project-offsets within the EU were sufficiently robust, their inclusion in an emissions trading scheme could be useful.

4. **Discussion of suggestions for recommendations to be contained in final report**

The Group discussed many draft recommendations that had been submitted and circulated in advance. Discussion concentrated on the headings “General” and “Coverage (Gases and Sectors)”. Some progress was made on narrowing down the number of recommendations while still retaining the support of the Group. The Chairman was mandated to further revise the list and edit so as to avoid duplication and repetition, as well as to remove or amend draft recommendations that were likely to be unacceptable to the Group as a whole. The next meeting would concentrate on the recommendations in an attempt that these should be the substantive output from the Working Group.

5. **Continuation of exchange of views on Background Documents 4-rev1 “International competitiveness and flexible mechanisms” & Background Document 5-rev1 “The project mechanisms of the Kyoto Protocol and the Community role”**

Due to lack of time Background Document 4-rev1 was only briefly discussed. It was felt by Mr BALOCCO (IFI EC) that the document did not take sufficient account of the effects on competitiveness in the case that the price of permits was high. The Chairman agreed to look again at the wording, but reminded the meeting that the Background Documents were written under the Chairman’s responsibility and did not represent the consensus view of the members of the

Group. It was important, however, for them to be made available on the Commission's public website so that people not participating could better follow the deliberations of the Working Group.

6. Any other business

The date of next meeting was confirmed as taking place on 4 April 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. The meeting would discuss a first draft of the Working Group's Final Report.

Peter VIS
Principal Administrator
Secretary to Working Group 1

Annex 1**ECCP Working Group 1****Eighth meeting: 14 March 2001**

| <i>Commission</i> | |
|-------------------------------|----------------------------------------------------------------------------------------|
| <i>Chairman:</i> Mr Peter VIS | DG ENV E1 |
| Mr Matthieu WEMAERE | DG ENV E1 |
| Mr Haakan KARLSTROM | DG TREN A3 |
| Mr Stefan LORENZ-MEYER | DG ENTR E2 |
| Ms Anna SOLE MENA | DG ENTR E2 |
| Mr Mark HAYDEN | DG ECFIN E4 |
| Ms Katri KOSONEN | DG RDT |
| Mr Peter ZAPFEL | DG ENV A1 |
| <i>National experts</i> | |
| Mr Jean-Jacques BECKER | Ministry of Economics, Finance and Industry France |
| Mr Dietrich BROCKHAGEN | Federal Ministry for the Environment, Nature, Conservation and Nuclear Safety, Germany |
| Mr Niklas JOHANSSON | Swedish National Energy Administration |
| Ms Asa LEANDER | Swedish National Energy Administration |
| Mr Ian COATES | DETR – UK |
| Mr Paul CHAMBERS | DETR – UK |
| <i>Industry</i> | |
| Mr Jean-Yves CANEILL | EURELECTRIC |
| Ms Rose DE LANNOY | EURELECTRIC |
| Dr Klaus MITTELBACH | BDI – Germany |
| Dr Joachim HEIN | BDI – Germany |
| Mr Chris BOYD | ERT/ Lafarge |

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|---------------------------|----------|
| Mr Mike WRIGLESWORTH | UNICE |
| Mr Francesco BALOCCO | IFIEC |
| Mr Bill KYTE | ETG – UK |
| Ms Margaret MOGFORD | ETG – UK |
| <i>Environmental NGOs</i> | |
| Mr Rob BRADLEY | CNE |
| Mr Matthias DUWE | CNE |
| Mr Jürgen LEFEVERE | FIELD |
| Mr Stefan SINGER | WWF |

27 participants