



State of Play of International Cooperation on ETS

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International ETS: key highlights 2016

- *Globally, 17 systems are in force to date and another 15 in preparation or under consideration. ETS can be found across 4 continents: 35 countries; 13 provinces/states and 7 cities. 2 out of 5 people worldwide live in a jurisdiction either considering, preparing or operating an ETS*
- *Together, these jurisdictions produce about 40% of global GDP*
- *China is now housing the world's second largest carbon market, covering the equivalent of 1,115 million tons of carbon dioxide emissions*

The EU general framework: Partnership Instrument

- *Partnership Instrument (PI) is the main innovative financial instrument for EU external action 2014-2020*
- *PI intends to promote EU visibility and interest (especially Regulatory Approach but also Business and Trade) to address major global challenges in emerging economies and countries of strategic interest to the EU. It is not a development cooperation tool*
- *Global reach, but focus on 10 strategic partners: China, US, India, Russia, Japan, South Korea, Canada, South Africa, Mexico, Brazil*

Paris a starting point for Carbon Markets

- *Sets important framework for action and a framework facilitating international markets particularly*
- *Implementation of NDCs is EU focus, and domestic market instruments are a key opportunity for many*
- *Support to implementation through practical cooperation – bilaterally with PRC, and ROK, and multilaterally through the Partnership for Market Readiness (WB)*

Main Target: East and Southeast Asia, common elements, synergies

- *Mix of advanced/emerging and developing economies*
- *Regulated energy markets, heavy coal consumption, huge potential for energy efficiency improvement, Climate and ETS part of a more general energy strategy*
- *Climate national policies and institutions in place, preference for "no-regret measures" such as MRV, complementarity with the World Bank Partnership for Market Readiness (PMR)*

Promote EU Regulatory Approach in East and SE Asia: the case of MRVA

- *Using bilateral cooperation to encourage formulation and implementation of MRV and ETS in a similar way as the EU ETS*
- *Existing Korean ETS (KETS) and future national Chinese ETS have adopted, or are in the process of doing so, similar MRV procedures to the EU ETS. Accreditation of verifiers is seen more and more as important feature especially in China.*
- *Similar features are: Monitoring Plan; Calculation Methodology and Continuous Emission Monitoring Systems (CEMS); Use of Emission Factors; Annual Compliance Cycle; Third Party Verification; External Control of Verifiers*

ETS Technical Cooperation with Korea: PI

Technical Cooperation Project started in January 2016

- *Direct support to the public sector (Ministry of Strategy and Finance) and indirect support to the private sector during the present first phase of the KETS (2015-17) and beyond*
- *Capacity building project (5 ML EUR) for 3 years, developing simulation tools, training and modelling capacity. Focus on MRV, Benchmarking, Auctioning and Trading*
- *Demand-driven, close co-operation with public authorities, international team of consultants*
- *ETS cooperation to facilitate EU-ROK policy dialogue on Climate*

ETS Technical Cooperation with PRC

- *Bilateral technical cooperation project on ETS with the People's Republic of China. EUR 5 ML for three years: 2014-16 (DEVCO)*
- *Demand-driven project, pilot-based first (7 pilots) than enlarged to other parties, then national system from 2017. Very close cooperation with government: NDRC*
- *PI future project EUR 10 ML for three years: "train the trainers" and ETS technical cooperation as support for policy dialogue*

EU ETS Influence on CN ETS MRV: 2 Examples

Monitoring plans to be mandatory in the context of National ETS. It is not the case in the pilots. Chinese authorities gradually came to recognize its importance also thanks to the EU capacity building project. It is now referred in the draft legislation

Accreditation of verifiers and use of ISO standards as a way to improve and reinforce the robustness of the system. Again NDRC is in the process of developing a position very similar to the EU ETS as a result of our bilateral cooperation

Conclusions

- *Using multilateral fora (e.g. through PMR/ICAP) and bilateral cooperation to: encourage formulation and implementation of carbon markets*
- *Encourage the development of global standards or good practice for ETS design (e.g. MRV, registry, allocation, cap-setting etc.), inspired by European Regulatory Approach, so as to promote the development of similar and compatible systems*
- *Continuous need for more EC + MS/NORWAY soft coordination in order to share the existing scarce resources and **to reinforce our strategic bilateral and multilateral influence!***