EU Emissions Trading System

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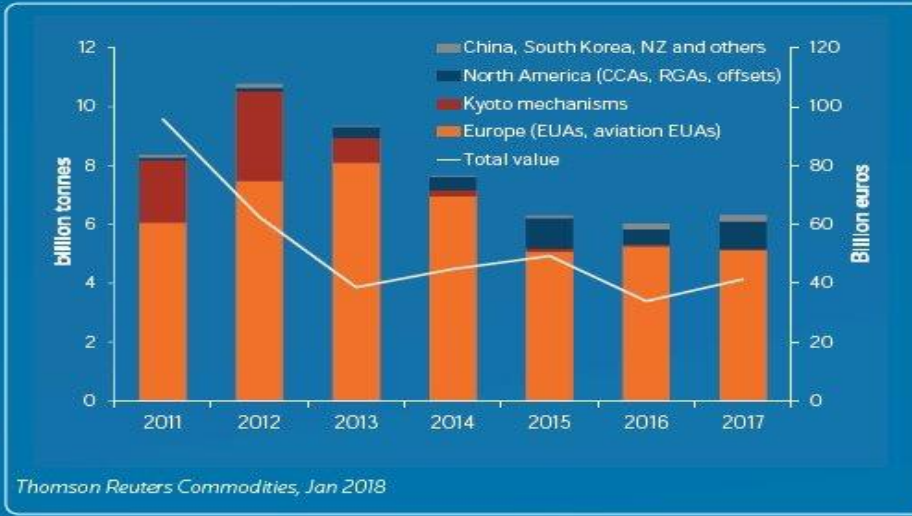Montreal, 7-9 February 2018

EU ETS

ICAO ENVIRONMENT

Timing & coverage

- 12 years of experience (learning-by-doing)
- Phases: 2005-2007, 2008-2012, 2013-2020, 2021-2030, …
- 11,000 fixed installations & 500 aircraft operators (of which ~100 are commercial aircraft operators based outside the EU)

Part 1

How are the emissions units generated by your programme, mechanism or project?

EU ETS

- *Maximum emissions are fixed & gradually reduced (agreed at European-level through negotiation)*

- *A limited amount of UNFCCC offsets can be used until 2020 (~1.5 billion JI/CDM credits have been used in the EU ETS)*

- *Allocation of allowances to those with obligations under the system both for free (based on benchmarks) & by auction (e.g. allocation to power sector by auction)*

Scope & liability

- Land-based sectors (CO_2, CH_4 and N_2O)

- Aviation (CO_2 & flights between airports located in EEA)

- Liability is based on "Individual approach"

Compliance cycles & penalties

- Annual compliance cycle

- Penalty EUR 100 per tonne CO2eq (adjusted for inflation) + making good shortfalls

- Compliance record to date: 100%

Part 2

What are the features and benefits of the emissions units generated by your programme, mechanism or project, including the means to ensure their quality?
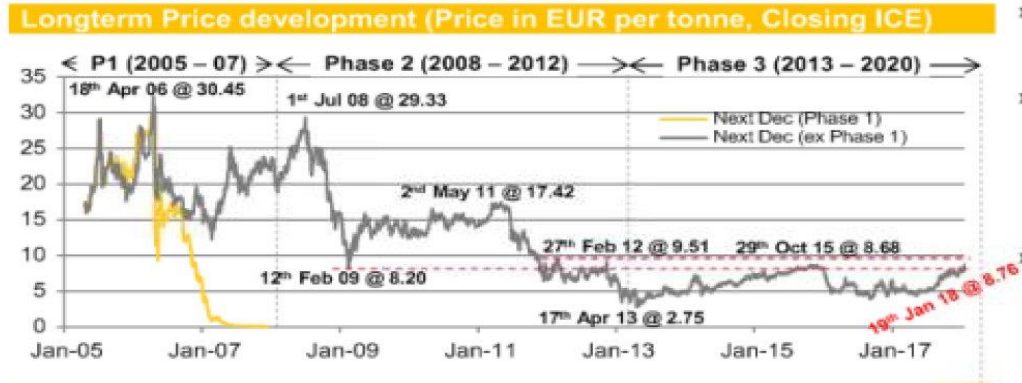
Units for compliance

- EU Allowances (<u>below</u> historic emissions & reduced progressively)

- Offset credits (UNFCCC of certain types) until end of Phase-3 (2020)

- From 2021 no offsets within EU ETS, as EU minus 40% commitment is domestic

Price evolution (2005-early 2018)

Longterm Price development (Price in EUR per tonne, Closing ICE)

Explanations for price evolution

- You cannot hide over-supply: price is transparent and reflects balance of supply & demand

- Linked to econmic growth (or lack thereof)

- Linked e.g. to renewable energy expansion

- 2 billion tonnes of CO_2 excess in market

Part 3

Where can potential buyers purchase the emissions units generated by your programme, mechanism or project?

Buying & selling

- Members States organise auctions (open to all operators, even from other States)

- Exchanges trade allowances & offsets (and fix arrangements for payment)

- Operators can buy from offset programmes

- Operators can trade directly with each other

Part 4

How does your programme, mechanism or project track the use of emissions units?

Registry (1)

- Phase 1: each States had its own registry that connected to a central hub (via Internet)
- Phase 2 onwards: Central registry with terminals in the States, and account holders have secure access over the web
- Registry does not do the trading but only tracks holdings, movements, surrender & cancellation
- Registry is backbone of system and avoids double-counting
- EU shared its software with UNFCCC

Registry (2)

- Units are individually numbered and can be traced at all times (no duplication)

- Allowances/Offset Units are constantly tracked from issuance to surrender & cancellation

- Irrevocably cancelled when used for compliance

THANK YOU