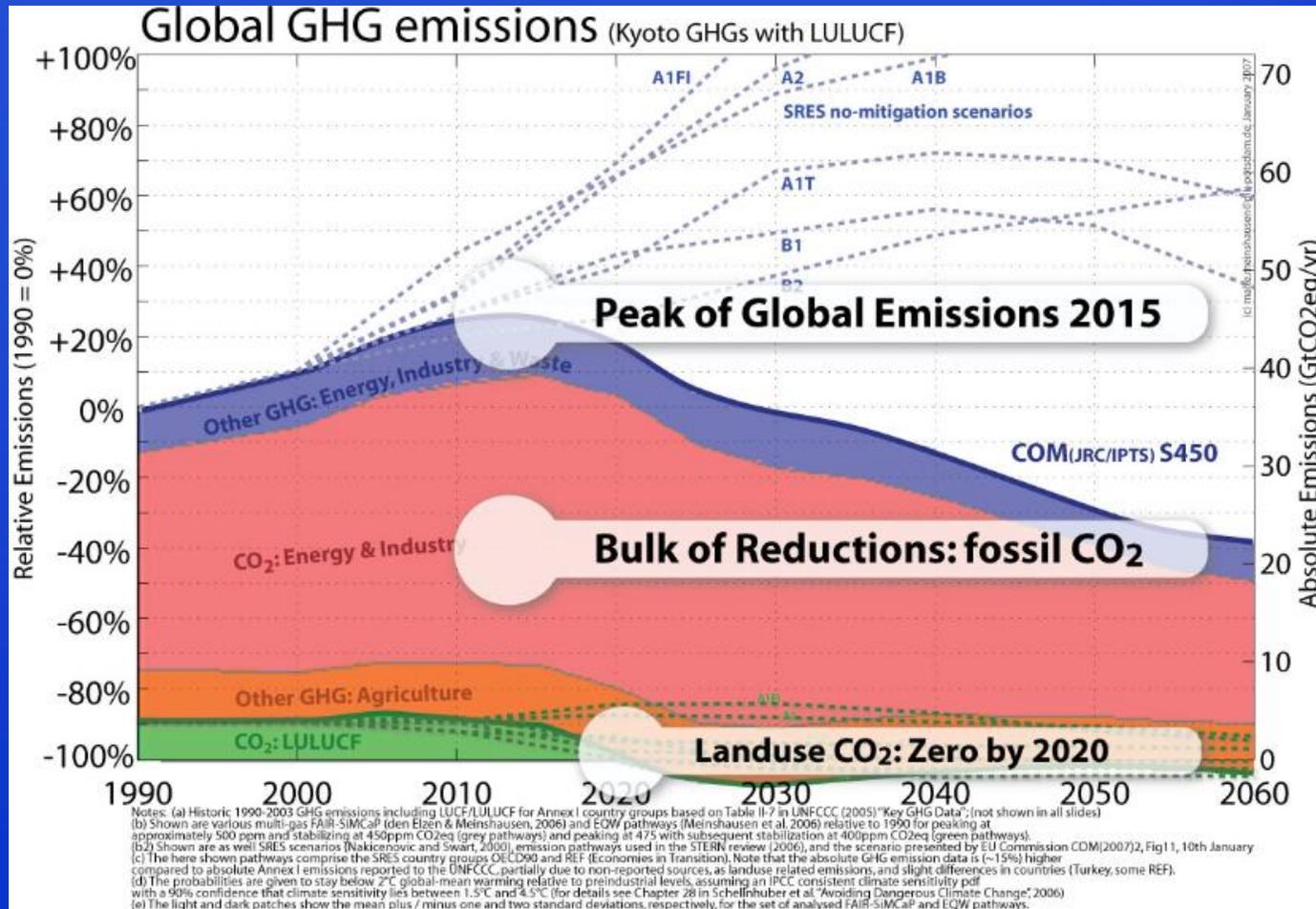


Creating global schemes – views from the European Commission

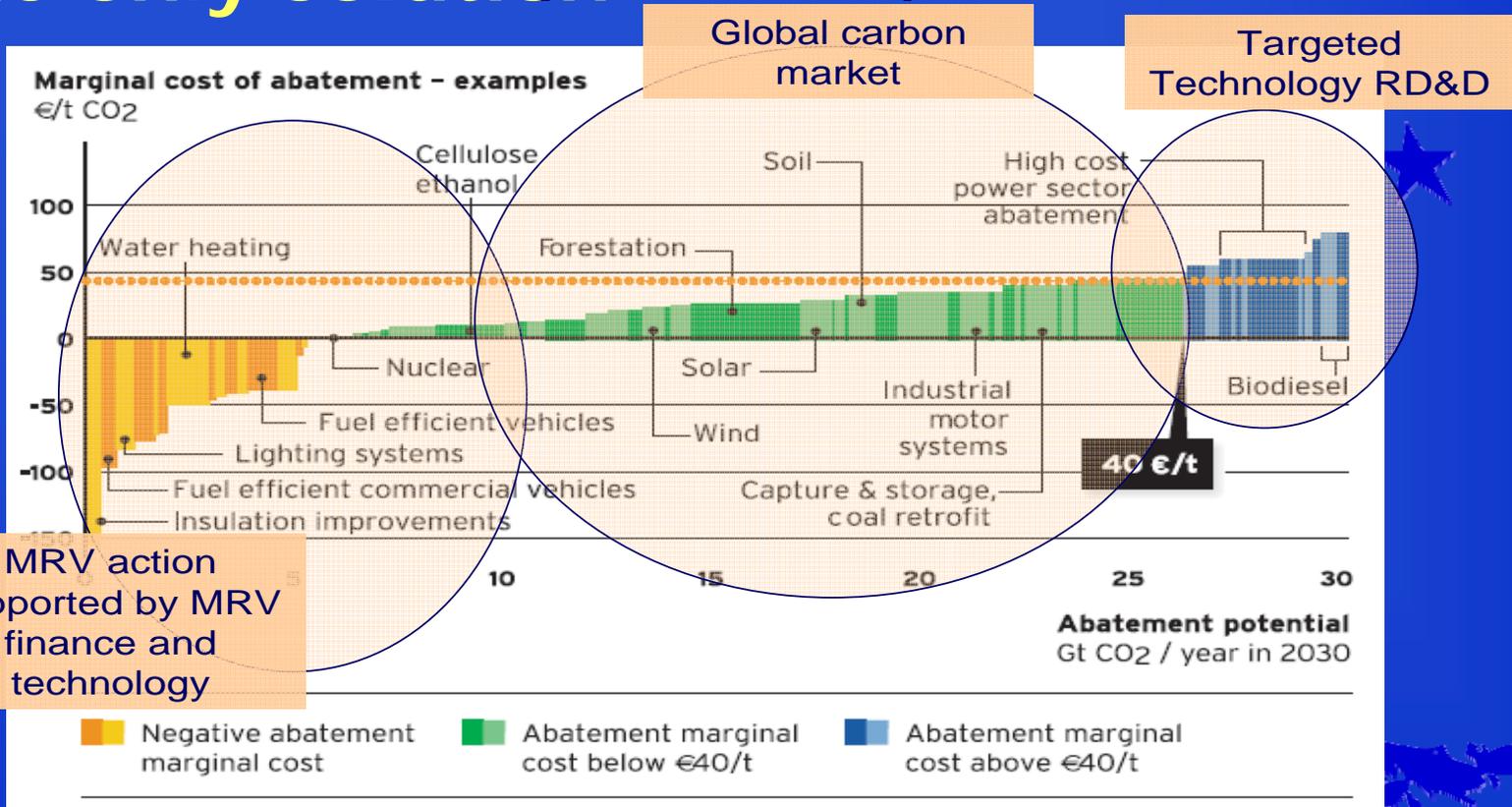
Philip Good

DG Environment – European Commission

EU's 2°C target needs deep emissions cuts



Carbon market will play important role – but is not the only solution



MRV action supported by MRV finance and technology

Vattenfall 2007

Role of global carbon market



★ May provide about 40% of the emissions reductions required

- 27 Gt. CO₂e emission reduction potential below € 40/ton CO₂
- 10 – 12 Gt. CO₂e carbon market will be the main driver

★ Will need to be flanked with other financial incentives to drive low carbon technologies

EU ETS – first step towards a global carbon market



- ★ EU vision: Broad, liquid global carbon market based on deep cuts in GHG emissions, in line with 2 degree objective
- ★ EU ETS has been the 'engine room' of the emerging global carbon market
- ★ Covers 30 countries - EU 27, Norway, Iceland and Liechtenstein
- ★ Progressive development towards global carbon market (overall value 2007: €40 billion)

Next step will be from linking schemes?



★ Linking of ETSs is next obvious step

★ With EU ETS:

- Linking agreements can be concluded with developed country which has ratified the Kyoto Protocol
- In revision of EU ETS: more flexibility for linking the EU ETS with other mandatory emission trading systems capping absolute emissions

A number of options for linking are possible



★ A North American carbon market is emerging

- Canada
- Regional schemes in the US (RGGI, WCI, MGGGA)
- Possible US ETS?

★ An Asian-Pacific market is emerging, too

- Australia
- New Zealand
- Japan

★ The future 'engine room' could be a transatlantic carbon market (linked EU/US ETS)

Requirements for linking schemes



★ Linked schemes will need to be compatible

★ Possible criteria:

- Mandatory cap and trade schemes with an absolute cap on emissions
- Robust and dissuasive compliance provisions needed
- Free from Government intervention
 - e.g. no price caps or ex-post adjustments to allocation
- Sources included where reliable monitoring, reporting and verification possible

Developing countries must also be in the global market



- ★ CDM helps lower the cost of compliance
- ★ Environmental integrity very important
- ★ To meet necessary reductions in global emissions, will have to start to move away from **offsetting** to **cap setting** approach in advanced developing countries

Global market requires aviation to be part of a post Kyoto agreement



- ★ EC considers that international aviation (and shipping) should be included in a post 2012 climate change regime
- ★ Barriers to inclusion are political, not technical
- ★ Once the sector is fully covered a global market will be more feasible

Conclusions



- ★ EU ETS serves as prototype when developing emissions trading schemes world wide
- ★ Global scheme will most likely emerge from linking regional and national schemes
- ★ An environmentally more effective CDM should continue to play a role, though pure offsetting will not be enough
- ★ Including aviation in a post 2012 climate change agreement will be essential to develop a global approach for the sector
- ★ Carbon market is one part of the solution but not a panacea – it needs to be combined with other tools to further technology cooperation, financial flows and investment

Further information



Aviation and climate change website:

http://ec.europa.eu/environment/climat/aviation_en.htm