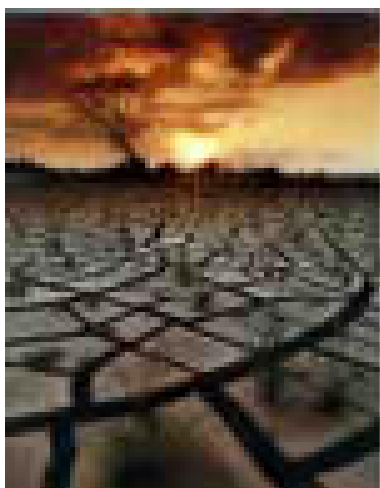


<http://lipietz.net/Greenhouse-gas-emissions-trading-directive>

Greenhouse gas emissions trading directive

- Député européen (Verts, France) - Grandes batailles - Changement climatique-effet de serre -



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Greenhouse gas emissions trading directive [1].

Session July I 2003

Rapporteur	Jorge MOREIRA DA SILVA (PPE, P)
Report adopted by ENVI	A5-0207/2003
Procedure	2nd reading, co-decision (Art. 175(1))
Green/Efa Drafts(woman)man	- (Heidi Hautala in 1st reading for JURI)
Shadow	Alex de ROO and Caroline LUCAS
Staff	Sarah Blau

Background - Key Points for our Group

Context of the proposal

The goal of this proposal is to set up a greenhouse gas emissions trading (ET) scheme within the European Community by the year 2005, three years before international emissions trading will start under the Kyoto Protocol. The proposal builds upon the (mostly) positive comments received on the 2000 green book on emissions trading. As the proposal covers approximately 46% of the total CO₂ emissions in the EU (energy, metal, mineral... sectors), it is one of the most important pieces of EU legislation to implement the Kyoto Protocol.

Lobbying on this contentious proposal has been huge, with pressure coming from the different sectors concerned (especially the energy-intensive industries such as steel and cement), but also from certain Member States (especially Germany, Finland and UK). Concerns were mostly linked to the mandatory nature of the scheme, due to the existence of voluntary domestic CO₂ reduction programmes (voluntary agreements in FIN and D ; voluntary ET scheme in UK).

EP 1st reading and Common Position

After lengthy internal negotiations, the **EP first reading** took place in October 2002, with a compromise package on following points :

a temporary opt-out for certain installations. This amendment allows Member States to ask for the exclusion of certain installations for a maximum of 3 years, if they are covered by similar domestic policies (including strict monitoring and penalties) and get the approval of the Commission ;

an opt-in provision, allowing Member States also to introduce further sectors in the scheme ;

The emissions trading scheme was extended to cover the *6 greenhouse gases* (and not only CO₂), as soon as

reliable monitoring methods are developed.

The EP introduced a *cap on the total quantity of allowances* that is allocated in each Member State, to avoid the risk of overallocation.

Another controversial issue is the *link* between this EU-wide emissions trading scheme *and the future Kyoto Flexible Mechanisms* (CDM, JI, and international ET). The EP's position was that credits from CDM and JI should be excluded in the 1st period (until 2008).

On the most controversial issue, the *allocation of allowances*, no agreement was found among the groups, but the EP plenary narrowly adopted a Greens/EFA amendment instauring an hybrid scheme (15% auctioning - 85% free allowances) from 2005 on.

The Environmental Council only agreed on a **Common Position** at its December 2002 meeting, due to a blockade, especially from Germany and Finland. After difficult negotiations, the Danish Presidency managed to reach a deal on following points :

a *temporary opt-out* until 2008 for installations and sectors (Art. 27)

the possibility for Member States to *pool* certain installations, to solve concerns in D (Art28)

the possibility to *include futher gases and sectors* unilaterally from 2008 on (Art. 24)

the possibility for MS to *auction* up to 10% of their allowances from 2008 on (Art. 10)

the introduction of a "*force majeure*" clause (Art. 29)

a very positive wording on the *inclusion of the Flexible Mechanisms*, wanting their full inclusion from 2005 on (Art. 30).

ENVI 2nd reading vote and Compromise package with Council

The rapporteur and the shadows agreed to have a limited 2nd reading vote, to give the possibility to reach agreement with Council. For this reason, the rapporteur consulted the other groups and only retabled a limited set of 14 amendments, focussing on the main problems left (cap, uniform allocation method, opt-out for sectors, inclusion of further sectors, CDM/JI wording, comitology to revise Annex III and force majeure provisions). Due to pressure of many industry lobby groups, a number of bad amendments were tabled by different MEPs, trying to weaken the Common Position. The **ENVI committee adopted in 2nd reading** 27 amendments. Following changes were made to the original rapporteur's list : On allocation, a weaker amount of harmonised auctioning (5%) was adopted from 2008 on, with PSE voting only partially for it. Most importantly, a number of new issues were taken up, complicating the negotiations with the Council : link with cogeneration, banking provisions, closures of installations, new entrants, exemption for process emissions and benchmarking.

After a series of informal dialogues with the Council, it was unclear, if a deal in 2nd reading could be concluded. This was needed, to make sure that the EU emissions trading scheme could start as planned in 2005, and would not be delayed by at least one year. Many Council delegations (especially D, but also SP, FIN and I) refused to move, but EP made it clear that they needed improvements to accept a deal.

Greenhouse gas emissions trading directive

A **2nd reading agreement by Council** was finally concluded on 23rd June on following points, with Council making some last-minute concessions after enormous pressure :

on the issue of the *cap*, a formulation in Annex III (criteria for national allocation plans), that there should be no over-allocation and that MS should follow a path towards achieving their Kyoto commitments, was agreed upon ;

on *allocation*, MS are now allowed to auction up to 5% already from 2005 on, and harmonised auctioning will be looked up in the review for the period after 2012 ;

the *opt-out* provisions will now only apply to installations, and not to activities ;

on CDM/JI, the provisions on *linking* this Directive with the Flexible Mechanisms will be settled in a separate Directive, to be proposed by the Commission this year ;

the review clause will look at the possibility to further *extend the scheme to other sectors*, including chemicals, aluminium and transport ; a recital was added asking the Common to put forward EU-wide measures to reduce CO2 emissions in the *transport sector*,

the changes of Annex III through comitology will be limited, and will only apply until 2012 ;

the COM will adopt guidelines on the use of the force majeure clause ;

recitals were adopted on the issues of cogeneration and process emissions

benchmarks will be considered in the context of the national allocation plans and the COM will look at the practicality of developing EU-wide benchmarks for allocation.

The rapporteur and shadows have accepted the latest Council package.

Strategy for the Plenary Session

Vote in Committee

Vote of our group	+
Vote of the others groups	almost unanimous (47/3/2)
Majority	

Strategy for the Plenary Session

Amendments tabled by our group	support a set of compromise amendments in view of 2nd reading agreement with Council
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Greenhouse gas emissions trading directive

Proposal	+
Vote our group	
Possible	unanimous, except some individual hardliners ?
Majority	

[1] Proposal for a directive establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 1996/61/EC (COM (2001) 581) ; Council Common Position C5-0135/2003 for more information, see Commission's website : <http://europa.eu.int/comm/environme...>