# Scheme for greenhouse gas emission allowance trading within the Community. EU Emissions Trading System (EU ETS) Directive

2001/0245(COD) - 27/11/2002 - Modified legislative proposal

Certain amendments made by the European Parliament are acceptable to the Commission, in full, part or principle. These include: - penalties concerning the "naming and shaming" of companies and deletion of clauses regarding the calculation of penalties based on average market price; - policies and measures must be implemented across all sectors of the economy and not only the industrial and energy sectors; - transparency regarding the ownership of allowances; - Member States must report on the way in which penalties and the purchase of additional allowances are treated for tax purposes; - links with emission trading schemes can only be made with parties listed in Annex B of the Kyoto Protocol that have ratified the Protocol; - the Commission will make reports so long as it preserves the right of initiative to make appropriate proposals; - national allocation plans must list installations included in the scope of the Directive with the quantities of allowances allocated to each; - standardised methods for monitoring the emissions of other greenhouse gases than CO2 shall be developed in collaboration with all stakeholders; The Commission does not accept the following amendments: - a recital providing that Member States must ensure that indirect mechanisms to reduce CO2, such as CHP generation, receive consideration in national allocation plans; - the provision stating that emission trading should form a flexible and complementary part of a package of measures to address climate change. The Commission rejects a voluntary approach. - the provision for additional sectors to be included, and notified to the Commission. Voluntary and "opt-in" of additional activities may distort competition and undermine the environmental integrity of the emissions trading system; - the extension of the scope of emissions trading to cover all greenhouse gases covered by the Kyoto Protocol; - the clause stating that special provision should be made for CHP and the use of waste fuels on the basis of Commission guidance; - the introduction of 15% auctioning in both periods; - the clause that treatment of new entrants must give rise to no distortions of competition compared to incumbents. Member States must be able to choose the method by which allowances are allocated to new entrants; - deleting the ability of amending Annex III (national allocation plans) by comitology - the provision that mutual recognition agreements will exclude the use of carbon sinks; - the stipulation that credits from Joint Implementation and the Clean Development Mechanism cannot be used before 2008. The Commission also rejects the provision that after 2008, only credits that do not involve carbon sinks and nuclear energy sources may be sued.