

Scheme for greenhouse gas emission allowance trading within the Community, in respect of the Kyoto Protocol's project mechanisms

2003/0173(COD) - 23/07/2003 - Legislative proposal

PURPOSE : to present a proposal for a Directive establishing a scheme for greenhouse gas emissions allowance trading within the Community, in respect of the Kyoto Protocol's project mechanisms.

CONTENT : the Commission is proposing this new initiative to combat climate change globally. The proposal for a new Directive will allow European companies to carry out emissions-curbing projects around the world and convert the credits earned into emissions allowances under the European Union emissions trading scheme. The proposal builds on the so-called market-based flexible mechanisms "Joint Implementation" and the "Clean Development Mechanism" envisaged by the Kyoto Protocol. Their aim is to reach the global emissions reduction targets in a cost-effective way while transferring advanced technology to other industrialised and developing countries. Joint Implementation (JI) and the Clean Development Mechanism (CDM) are mechanisms created by the Kyoto Protocol to enable governments to meet part of their greenhouse gas reduction commitments by developing emissions reduction projects in other countries. JI projects are to be undertaken in countries that have quantitative emissions reductions targets under the Kyoto protocol, i.e. industrialised countries. CDM projects are to be hosted by developing countries, which have no quantitative targets. JI and CDM will transfer environmentally sound technologies to the host countries, which will assist them in reaching their sustainable development objectives. JI and the CDM are "project-based", and allow the generation of credits when projects achieve emission reductions that are additional to what would have occurred in the absence of the project (the "baseline" scenario). Such projects need to result in real, measurable and long term benefits related to the mitigation of climate change, while contributing to the achievement of sustainable development goals of host countries, notably through the transfer of environmentally sound technologies. JI and the CDM differ to the extent that projects take place in countries with different commitments and, consequently, they are subject to different project cycle requirements under the Marrakech Accords. It should be noted that on 18 March 2003, the Council adopted a Common Position on a Directive establishing a scheme for greenhouse gas emission allowance trading within the Community in order to promote reduction of greenhouse gas emissions in a cost-effective manner within the EU. Final adoption of this Directive is expected in 2003. The core element of this proposal is to provide the recognition of JI and CDM credits as equivalent to EU emission allowances for their use within the Community scheme by operators to fulfil their obligations. Linking will increase the diversity of compliance options within the Community scheme thereby leading to a reduction of compliance costs for installations in the scheme. Linking will improve the liquidity of the European market in greenhouse gas emissions allowances and lower the market price for them. It is estimated that annual compliance costs in the period 2008-12 for covered installations in the enlarged EU will be reduced by -more than 20%. Allowance prices in the enlarged EU with linking as proposed are estimated to be lowered by about half. This proposal will stimulate the demand for JI credits, in particular from Russia because of the great potential for projects there, and will lead to more investments by EU companies and the development and transfer of advanced environmentally sound technologies and knowhow. By stimulating demand for CDM credits it will also assist developing countries hosting CDM projects in achieving their sustainable development goals through the transfer of environmentally sound technologies and know how. It will contribute towards the fight against climate change through implementation of the Kyoto Protocol and the UNFCCC. Lastly, this proposal also creates synergies with European research through the Community's RTD Framework Programmes. European research supports technologies to address climate change the transfer of which to other industrialised and to developing countries will be promoted by JI and CDM.