

Basic information	
<p>2003/0173(COD)</p> <p>COD - Ordinary legislative procedure (ex-codecision procedure) Directive</p>	Procedure completed
<p>Scheme for greenhouse gas emission allowance trading within the Community, in respect of the Kyoto Protocol's project mechanisms</p> <p>Amending Directive 2003/87/EC 2001/0245(COD)</p> <p>Subject</p> <p>3.70.02 Atmospheric pollution, motor vehicle pollution 3.70.03 Climate policy, climate change, ozone layer 3.70.18 International and regional environment protection measures and agreements</p>	

Key players				
European Parliament	Committee responsible		Rapporteur	Appointed
	ENVI	Environment, Public Health, Consumer Policy	DE ROO Alexander (V /ALE)	02/10/2003
	Committee for opinion		Rapporteur for opinion	Appointed
	ITRE	Industry, External Trade, Research, Energy	LINKOHR Rolf (PSE)	02/10/2003
Council of the European Union	Council configuration		Meetings	Date
	General Affairs		2603	2004-09-13
	Environment		2536	2003-10-27
	Environment		2566	2004-03-02
European Commission	Commission DG		Commissioner	
	Environment			

Key events			
Date	Event	Reference	Summary
23/07/2003	Legislative proposal published	COM(2003)0403 	Summary
01/09/2003	Committee referral announced in Parliament, 1st reading		

27/10/2003	Debate in Council		
02/03/2004	Debate in Council		
16/03/2004	Vote in committee, 1st reading		Summary
16/03/2004	Committee report tabled for plenary, 1st reading	A5-0154/2004	
19/04/2004	Debate in Parliament		
20/04/2004	Decision by Parliament, 1st reading	T5-0303/2004	Summary
13/09/2004	Act adopted by Council after Parliament's 1st reading		
27/10/2004	Final act signed		
27/10/2004	End of procedure in Parliament		
13/11/2004	Final act published in Official Journal		

Technical information	
Procedure reference	2003/0173(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Directive
Amendments and repeals	Amending Directive 2003/87/EC 2001/0245(COD)
Legal basis	EC Treaty (after Amsterdam) EC 175-p1
Stage reached in procedure	Procedure completed
Committee dossier	ENVI/5/19914

Documentation gateway				
European Parliament				
Document type	Committee	Reference	Date	Summary
Committee report tabled for plenary, 1st reading/single reading		A5-0154/2004	16/03/2004	
Text adopted by Parliament, 1st reading/single reading		T5-0303/2004 OJ C 104 30.04.2004, p. 0037-0346 E	20/04/2004	Summary
European Commission				
Document type	Reference	Date	Summary	
Legislative proposal	COM(2003)0403 	23/07/2003	Summary	
Document attached to the procedure	SEC(2003)0785 	29/07/2003		
Other institutions and bodies				

Institution/body	Document type	Reference	Date	Summary
EESC	Economic and Social Committee: opinion, report	CES1605/2003 OJ C 080 30.03.2004, p. 0061-0064	10/11/2003	

Additional information		
Source	Document	Date
European Commission	EUR-Lex	

Final act	
Directive 2004/0101 OJ L 338 13.11.2004, p. 0018-0023	Summary

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

2003/0173(COD) - 20/04/2004 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted a resolution based on the report drafted by Alexander DE ROO (Greens/EFA, NL), and effected a compromise agreement with the Council. The main points are as follows: - Credits counted towards national quotas will be limited in proportion to total national emissions. The Member States, however, retain the power to set the ceiling; - Member States may allow operators to use certified emission reductions (CERs) from 2005 and emission reduction units (ERUs) from 2008 in the Community scheme. The use of CERs and ERUs from 2008 is allowed up to a percentage of the allocation to each installation, to be specified by each Member State in its National Allocation Plan. The use will take place through the issue and immediate surrender of one allowance in exchange for one CER or ERU. An allowance issued in exchange for a CER or ERU will correspond to that CER or ERU. - Each Member State will decide on the limit for the use of CERs and ERUs from project activities having due regard to the relevant provisions of the Kyoto Protocol and the Marrakech Accords, to meet the requirements that the use of the mechanisms should be supplemental to domestic action. Domestic action will thus constitute a significant element of the effort made. - On carbon sinks, Parliament backed the Commission in its plan to outlaw their use as JI and CDM. The Commission should consider, in its review of the Directive in 2006, technical provisions related to the temporary nature of credits and the limit of 1% for eligibility for land use, land-use change and forestry project activities as established in Decision 17/CP.7, and provisions related to the outcome of the evaluation of potential risks associated with the use of genetically modified organisms and potentially invasive alien species by afforestation and reforestation project activities, to allow operators to use CERs and ERUs resulting from land use, land use change and forestry project activities in the Community scheme from 2008, in accordance with the decisions adopted pursuant to the UNFCCC or the Kyoto Protocol. - The Environment Committee and the rapporteur (see the preceding summary) also wanted to exclude large hydroelectricity projects from the flexible mechanisms as they often have a devastating social or environmental impact. This view was not completely supported in the compromise deal adopted by the Parliament. The deal says that hydro-electric power production project activities are to be counted as JIs and CDMs but Member States shall ensure, when approving such project activities with a generating capacity exceeding 20MW, that relevant international labour law criteria and guidelines are followed, as well as environmental impact assessments. Criteria and guidelines that are relevant to considering whether hydro- electric power production projects have negative environmental and social impacts have been identified by the World Commission on Dams in its year 2000 Final Report, by the OECD and by the World Bank. The Commission will monitor all hydroelectric projects above 500MW approved by the UN executive agency for Flexible Mechanisms, in order to retain the option of excluding them during the revision of the Linking directive in 2006; - Following entry into force of the Kyoto Protocol, the Commission should examine whether it could be possible to conclude agreements with countries listed in Annex B to the Kyoto Protocol which have yet to ratify it, to provide for the recognition of allowances between the Community scheme and mandatory greenhouse gas emissions trading schemes capping absolute emissions established within those countries. Member States shall report to the Commission every two years on the extent to which domestic action actually constitutes a significant element of the efforts undertaken at national level, as well as the extent to which the use of the project mechanisms is actually supplemental to domestic action, and the ratio between them, in accordance with the relevant provisions of the Kyoto Protocol. The Commission shall, if appropriate, make legislative or other proposals to complement provisions by Member States to ensure that the use of the mechanisms is supplemental to domestic action within the Community. - The directive will be transposed 12 months after its entry into force.

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

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-curling 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.

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

2003/0173(COD) - 27/10/2004 - Final act

PURPOSE : to reduce greenhouse gas emission by linking Kyoto project-based mechanisms to Community schemes and to amend Directive 2003/87/EC.

LEGISLATIVE ACT : Directive 2004/101/EC of the European Parliament and of the Council amending Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading within the Community, in respect of the Kyoto Protocol's project mechanism.

CONTENT : the Council adopted this Directive which completes Directive 2003/87/EC which was established in order to set up a scheme for greenhouse gas emission allowance trading within the Community. It should be noted that Austria and France voted against the adoption of this Directive. The provisions of this particular Directive forms the basis of a "Community scheme" of greenhouse gas emission allowance trading to help the EU fulfil its Kyoto obligations – i.e. a 70% reduction in greenhouse gas emissions compared to 1990 levels. Directive 2003/87 allows for the recognition of credits from project-based mechanisms for fulfilling these obligations as from 2005. The amendments to Directive 2003/87 enacted through this legislation allow for these credits to be linked to Kyoto project-based mechanisms, known as "joint implementation" (JI) and the "clean development mechanism" (CDM). Linking the Kyoto project-based mechanism to the Community scheme will allow the Member States to fulfil their overall Kyoto obligations as well as increasing the diversity of low-cost compliance options within the Community scheme. Such a move, it is believed, will help in the reduction of overall Kyoto compliance costs whilst at the same time improving the liquidity of the Community market in greenhouse gas emission allowances. Further, the demand for CDM credits means that developing countries hosting CDM project will be in a good position to meet their sustainable development goals. What this means, in effect, is that Parties to the Kyoto Protocol are allowed to meet their targets by reducing greenhouse gas emissions in other countries at a lower cost than at home. From a global environmental point of view, the place where the emission reduction takes place is of secondary importance provided that overall emission reductions are achieved.

In order to enable the linkage to be realised, Directive 2003/87/EC has been amended and, in summary, the following provisions inserted to the Directive:

- The parties listed in Annex to the United Nations Framework Convention on Climate Change (UNFCCC) are included in the provisions of the Directive as have the Kyoto Protocol and UN terms for "project activity"; "emission reduction unit" (ERU) and "certified emission reduction" (CER).

- Member States may allow operators to use CER's and ERU's from project activities in the Community scheme up to a percentage of the allocation of allowances to each installation, to be specified by each Member State in its national allocation plan for that period. This shall take place through the issue and immediate surrender of one allowance by the Member States in exchange for one CER or ERU and by the operator in the national registry of its Member State.

- All CERs and ERUs may be used in the Community scheme.

- Member States are to refrain from using CER's and ERU's generated from nuclear facilities and from land use, land use change and forestry activities.

- Until 31 December 2012, ERU's and CER's may be issued only if an equal number of allowances are cancelled by the operator of that installation.

- Until 31 December 2012, ERU's and CER's may be issued only if an equal number of allowances is cancelled from the national registry of the Member State of the ERU's or CER's origin.

- Member States must make information regarding the above mentioned provisions, available to the public.

- The Commission and Member States will help support capacity-building activities in developing countries and countries with economies in transition in order to help them take full advantage of JI and CDM in a manner that supports their sustainable development strategies and to facilitate the engagement of activities in JI and CDM project development and implementation.

ENTRY INTO FORCE: 13/11/2004.

TRANSPOSITION: 13/11/2005.