Media advisory

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EU Member States missing the deadline on Emissions Trading Scheme

WHEN: The 25 EU Member States are due to present to the European Commission the National Allocation Plans for the second phase of the EU Emissions Trading Scheme (ETS) by 30 June 2006. The Commission will have to comment within three months. The plans will be enforced in the period 2008-2012.

WHAT IS THE ISSUE: It is very likely that Austria, Belgium, Czech Republic, Denmark, Finland, France, Hungary, Italy, Netherlands, Slovenia, Latvia, UK, Spain and Sweden will miss the deadline. If they do not comply with the deadline, they will be in breach of the law. In addition, the countries that have already made information on their plans available seem very reluctant in embracing strong measures that could help tackling climate change. Most draft national allocation plans are weak.

Environmental NGOs denounce these negative signals, given the importance of the Emissions Trading Scheme for the fulfilment of the commitments undertaken by the EU under the Kyoto Protocol. While the EU has committed to reduce greenhouse gas emissions by 8 per cent by 2012 compared to 1990, recent data published by the European Environment Agency show that general greenhouse gas emissions are actually increasing (+0,3 per cent in 2004).

The trend will not improve if over-allocation of emission allowances through weak National Allocation Plans seen in the period 2005-2007 continues. The environmental effectiveness of the EU Emissions Trading Scheme in its second phase can only be achieved by more stringent caps, credible allocation rules and transparency of the allocation methodology, data and process.

WHAT NEEDS TO BE DONE:

- *Meeting the deadline* – EU Member States must submit their national allocation plans in time. If they fail to do so, the European Commission should take all necessary measures, including starting infringement procedures, to make sure that the ETS is taken seriously.
- *Stronger National Allocation Plans* – Stronger caps on CO2 emissions must be adopted. They must be at least 9 per cent lower on average compared to the first implementation period (the Commission suggests an average reduction of 6 per cent). Fewer emission allowances need to be available in order to ensure the good functioning of the market for the purposes it was created. But according to drafts available, the emissions data of 2005 were hardly taken into account in countries like Poland, Ireland, Flanders in Belgium, Estonia, Lithuania, Slovakia and Czech Republic, which are planning to increase the allocation of emission allowances.
- *Auctioning of emission allowances* - The guidelines issued by the European Commission include the option for Member States to auction up to 10 per cent of the emission allowances for the 2008-2012 period, thus giving the possibility to gain revenues for administration. So far only Ireland, the Netherlands, Lithuania and UK are planning to auction part of the emission allowances, but at a level much lower than 10 per cent. On a positive note, France might auction the maximum amount of 10 per cent.

WHO & WHERE: Spokespeople on this issue are:

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Notes to the editors:

- The European Union Emissions Trading System (EU ETS) is the first mandatory international trading system for greenhouse gas emissions in the world. It is the single most important policy instrument by the EU to meet its international obligations under the Kyoto Protocol. The EU ETS started operating on 1st January 2005. It covers carbon dioxide (CO2) emissions from key industry sectors, such as energy, paper, metal and cement and regulates approximately 11,400 installations owned by ca. 5,000 companies across Europe. All together such installations emit more than two billion tonnes of CO2 every year – nearly half of the CO2 emitted in the EU25.
- The deadline of June 30 is set in Article 9 of the EU ETS directive. The article states that the plans shall be notified to the Commission and the other member states 18 months before the beginning of the next trading period (2008-2012).
- On May 15 the European Commission published the data on emissions from industries covered by the EU ETS in 2005. This data showed a total excess of allowances of about 70 million tonnes above the granted allowances (without Poland, Malta, Luxemburg and Cyprus). This led to a collapse in the market price of emission allowances.
- According to the last report of the European Environment Agency on total CO2 emissions in Europe in 2004, Spain, Luxembourg, Austria, Portugal, Italy, Finland and Ireland are off track to reaching their Kyoto targets.
- This advisory and related material is available on www.panda.org/epo and www.climnet.org.