

Speech

Location: Barcelona, Carbon Expo
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Event: Post-Kyoto JI uncertainties: How will EU ETS adapt its domestic offset policy?

Text:

Let me start with saying that—at this point in time—there is no clear future for offset mechanisms in the EU after 2012. This is only partly due to the slow progress in international negotiations; the other part is made up by the EU alone.

I will start with a couple of considerations why we need to ensure that an offsetting mechanism in Europe continues. Then look into the international problem that we have in front of us and explain the EU perspective regarding JI and article 24a EU ETS; and I will conclude with the listing the possible solutions.

Why do we need an offset scheme in the EU?

1. The first argument is that domestic offsets are a way to give the non-ETS sectors access to a carbon price. With the low-hanging fruit being picked, abatement costs will increase. That makes it important to provide investors in the non-ETS sectors access to the carbon price through the generation of offsets.
2. The second argument is that domestic offsets can be budget neutral for governments. The financial crisis in the EU is pushing climate change down on the political agenda while the private sector has demonstrated its appetite for offsets. Without article 24a we would basically decline the financial support from the private sector with no prospects at all on how we get the private sector back in.
3. Finally, the private sector has shown commitment by investing in JI projects in Eastern, Central and increasingly also in Western Europe. With the current post-2012 uncertainty we risk losing that commitment to invest in reductions in the non-ETS sectors.

What is the problem with domestic offsets in the EU?

JI faces a gap after 2012, and it's a deep one. JI needs Assigned Amounts Units for the issuance of JI credits. Unless Durban becomes a tremendous success that delivers a new treaty (or commitment period) that can start in 2013, there will be no Assigned Amount Units in the years after 2012. That is the gap JI is facing.

The good news is that the EU has a back-up unit, called the Annual Emission Allocation (AEA). Unfortunately though, there are no provisions yet for using the AEA for the issuance of credits from JI projects. As a result, future and existing JI projects may not be able to receive JI credits for reductions after 2012 and will certainly not be able to receive ERUs after the true-up period expires halfway 2015.

For this there are two solutions. The first is a temporary solution in which emissions reductions after 2012 can be rewarded through continued JI projects—with ERU credits drawn from the first commitment period—until the end of the true-up period. That period allows for finalising transactions from the 1st crediting period until halfway 2015.

The second solution is Article 24a and this one is more permanent. This article allows for the “issuing [of] allowances or credits in respect of projects administered by Member States that reduce greenhouse gas emissions not covered by the Community scheme.” Article 24a can provide a back-up for JI projects.

But the interest is mutual since Article 24 can benefit from JI, in terms of procedures, accredited entities and host country approval procedures.

Where does article 24a currently stand?

The article is without implementing measures and thereby not yet operational. Adoption of such implementing measures requires a comitology procedure which will take up to a year or longer. The initiative for drafting these implementing measures lies with the Commission but member states can play a role by pushing the topic onto the agenda.

Do we have the coalition of the willing to do this?

Yes, we do. The EU has not put article 24a high on its priority list but some Scandinavian and Central European member states agreed to draft a position paper on the topic. In addition, in March the Visegrad countries (Poland, Slovakia, the Czech Republic and Hungary) agreed to invite the EU to develop article 24a. With Hungary currently holding the EU presidency, soon to be succeeded by Poland, the Visegrad countries are in a unique position to put article 24a on the agenda of the Commission.

Conclusion

To conclude: we need article 24a to secure a future for current and future JI projects and for the domestic JI schemes that are currently operating in Central and Eastern European countries and countries like France and Germany, and we need it to maintain private sector interest in the low-cost abatement opportunities in the non-ETS sectors. Therefore, I invite member states to clearly articulate their support for this mechanism to stimulate policy-makers in Brussels to develop the necessary implementing measures.

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