

European emissions trading lessons learnt and next steps

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Lessons learnt

- Cost-effective and flexible mitigation tool **and** source of finance for low-GHG technology development.
- Creating scarcity is key in the success of the market.
- Other key requirements: transparency, liquidity, long-term predictability and integrity (monitoring, verification and compliance).
- Everything does not need to be perfect at the beginning.
- **=>Learning-by-doing: establishment of a carbon price and experience to both government and operators.**
Estimates of abatement in the order of 50-100 Mt CO₂ (2005-2007).

Driving the carbon market

- Carbon market valued at around US\$64 billion globally (EU ETS: US\$50 billion) in 2007.
- Project based transactions (mostly CDM) represent some US\$13 billion fuelled mostly by demand from Europe and Japan.
- Some 40% of Europe's emissions covered (roughly the same for PT).
- Signal to the market through stricter limits for phase 2 (2008-2012).

=> Cornerstone of Europe's (and PT) strategy to implement the Kyoto Protocol and a major structural element for the post-2012 climate strategy.

Prices and trade volume in the EU ETS



Proposal for phase 3 (2013-2020)

- Cost-effective contribution to -20% GHG target for 2020, or to stricter target under international climate agreement.
- Move to an European-wide cap and greater certainty for operators.
- Greater harmonisation of rules and procedures.
- Move to higher auctioning levels (100% in electricity generation from 2013; full auctioning in all sectors by 2020).
- “Carbon leakage” assessment.
- Possibility of linking with other schemes.

Conclusions

- Establishment of a carbon price and experience to both government and operators.
- EU ETS will contribute to reaching more than 40% of the EU15's Kyoto commitment 2008-2012 (i.e. 3.4%pts of -8% below 1990).
- Cornerstone of Europe's strategy to implement Kyoto Protocol - major structural element for the post-2012 climate strategy.
- Linking emissions trading schemes across the world could help build the global carbon market - sharing experiences with others in implementing emissions trading schemes will be key.