

Non-ETS climate policy and effort sharing in the EU:

Flexibility & the potential for a project-based mechanism

Date: November 16, 2015

Time: 10:00 – 16:00

Venue: CEPS, 1 Place du Congrès, Brussels

Chair: A. Marcu, CEPS

10:00 **Registration and coffee**

10:30 **Welcome and outline of the day**

As part of the 2030 framework for climate and energy policies, the EU has committed to reduce GHG emissions in non-ETS sectors by 30%, compared to 2005. This is a significantly higher target than the 2020 goal of reducing GHG emissions in these sectors by 10%.

This much stronger reduction effort that will be required by the EU Member States will arguably result in more demand for the flexibility provisions which are part of the Effort Sharing Decision (ESD). The European Council has foreseen this in its Conclusions of October 2014 and called for the “existing flexibility mechanisms to be significantly enhanced”.

One of these flexibility mechanisms could be a domestic offset mechanism. The current ESD contains an article dedicated to project activities. The majority of the provisions, however, regard international credits which are not relevant for the ESD up to 2030, as the EU’s target is for domestic reductions only.

Art. 5(7), nevertheless, allows Member States to use credits issued pursuant to Art. 24a of the EU ETS Directive towards their commitment under the ESD, without quantitative limits. This would create a link between the ETS and non-ETS sectors, if not for the fact that this Art. 24a has never been activated.

Whether or not such a mechanism would be linked to the ETS or not; many feel that a domestic offset mechanism could be a good way to cost-effectively reduce emissions in non-ETS sectors, by making more transparent the options for reductions, and by bringing together demand and supply.

Today we will discuss flexibility in the ESD in general, and how a domestic offset mechanism could take shape and what questions would need to be answered in order to design an effective mechanism.

10:35 Flexibility in the ESD and non-ETS sectors

Presentation by CEPS

To structure the discussion, CEPS will start with a presentation outlining the background, main questions to be answered, and which issues to focus on:

- **Flexibility & trading: does trading between 28 Member States make sense?**
 - **Is it necessary?**
 - **Under what circumstances would trading take place?**
 - **How liquid could such a market be?**
 - **Is there sufficient demand for such a system?**
 - **What role could auctioning play?**

Comments:

Jan-Willem van de Ven, EBRD: Experience with AAU trades under the KP

Moderated round table with:

- François Dejean, European Environment Agency
- Frans Duijnhouwer, The Netherlands
- Fre Maes, Belgium
- Anaïs Maillet, France
- Femke de Jong, Carbon Market Watch

12:30 Lunch

13:30 **The state of play in non-ETS climate policy: outcome of the public consultation**

Speaker: Piotr Tulej, DG CLIMA, Head of Unit, C1 low carbon technologies

14:30 **The potential for a domestic project mechanism**

CEPS will start the session with short presentation outlining some questions that we think need to be answered about a domestic project mechanism. Afterwards, we will ask some speakers to present their ideas on how such a mechanism could work, before discussing this with the audience.

- **What are the design elements of the mechanism?**
- **What can be learned from other offsetting mechanism?**
- **Can – and should – the offset mechanism be linked with the ETS?**
- **How would the system interact with other EU and MS policies?**
- **How would credits generated relate to international carbon markets?**

Interventions by:

- Istvan Bart, MEHI
- Nils Meyer-Ohlendorf, Ecologic
- Bram Borkent, Ecofys
- Benoit Leguet, I4CE - Institute for Climate Economics

16:00 **Wrap up & end of meeting**