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**climate
change**



The EU emissions trading scheme: Perspectives on linking

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Olivia Hartridge
Market-based instruments, EU ETS Unit
Environment DG, European Commission





Article 25 of the Directive

1. Agreements should be concluded with third countries listed in Annex B to the Kyoto Protocol which have ratified the Protocol to provide for the mutual recognition of allowances between the Community scheme and other greenhouse gas emissions trading schemes in accordance with the rules set out in Article 300 of the Treaty.
2. *Where an agreement referred to in paragraph 1 has been concluded, the Commission shall draw up any necessary provisions relating to the mutual recognition of allowances under that agreement in accordance with the procedure referred to in Article 23(2).*



Links with other Kyoto Parties

- 38 countries listed in Annex B to Kyoto Protocol
- 23 already part of EU ETS (+ Cyprus and Malta)
- Bulgaria, Romania expected to participate soon
- Croatia also preparing for participation
- Norway, Iceland and Liechtenstein - EEA agreement
- Japan, Canada, Russia, Ukraine, New Zealand, Switzerland, Monaco – linking agreements possible



Links with schemes outside Kyoto

- Recital to the Linking Directive:
 - *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 emission trading schemes capping absolute emissions established within those countries*
- US Regional Greenhouse Gas Initiative
- National Emissions Trading Scheme in Australian States and Territories
- Californian Emissions Trading Scheme
- Review and extension of the EU ETS Directive



Issues to be considered in bilateral linking agreements

Of more importance

- Currency used and its status
- Quality of monitoring and reporting provisions
- Registries conforming to Kyoto Protocol communication standards
- Level and types of sanctions
- Type and stringency of environmental target
- Private sector market without governmental intervention
- Direct vs indirect emissions approach
- Banking and borrowing

Of lesser importance

- Sector and gas coverage
- Trading periods
- Allocation method



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[http://europa.eu.int/
comm/environment/
climat/home_en.htm](http://europa.eu.int/comm/environment/climat/home_en.htm)



More information on EU climate change policy