

UK Manifesto for the EU Emissions Trading Scheme (EU ETS)

2007

Department for Environment, Food and Rural Affairs
Department of Trade and Industry

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This Manifesto has been drawn up by a group of leaders from major businesses and Non-Governmental Organisations in collaboration with the UK Government.

There is now a strong body of scientific and economic evidence to underline the benefit of early action on climate change for the future wellbeing of society as a whole and the ecosystems on which we all depend. We see the development of a successful EU ETS as an important element of a coherent long-term policy framework, both within the EU and globally, which will allow industry to play its part in delivering the emissions reductions required to mitigate the impacts of climate change.

The EU has committed to keeping the rise in global average temperatures to less than 2°C above pre-industrial levels. This indicates the scale and urgency of the challenge and the degree to which government and business must work to deliver a substantially low carbon future. Governments across the EU are looking at a mixture of increased regulation and market mechanisms to deliver a reduction in carbon emissions.

We support the development of emissions trading as the key part of the EU's strategy for reducing emissions from industry. A well-designed emissions trading scheme provides a means of delivering emissions reductions at least cost through the creation of an efficient and transparent market in emissions allowances. By placing a price on current and future emissions, it incentivises industry either to improve its energy efficiency, invest at scale in technologies using low-carbon fuels, or to develop innovative low-carbon technologies, rather than surrendering such decisions to Government or a regulator.

Post 2012: Trajectory

Business needs a stable, predictable ETS framework to underpin the long-term value of carbon. An urgent priority is to set out the future level of ambition post-2012 and agree the trajectory for the cap on emissions covered by the Scheme at least as far as 2030. Governments must make significant progress on this at the 2007 Spring European Council. This will help provide clarity on the scale of investment required.

We welcome that the EU ETS has created a price for carbon dioxide emissions. We recognise that all business activities should eventually be exposed to the full costs of greenhouse gas emissions to encourage the required action to mitigate climate change. EU Member State Governments have a collective responsibility in setting out the harmonised path to a fully costed carbon economy. This needs to take account the impacts on international competitiveness including the ability of sectors to internalise the cost of carbon, and the need for secure and diverse energy supplies. An assessment of this should form part of the decision making process.

The use of JI/CDM

It is essential that all countries tackle climate change and we in the EU have the potential to make a significant contribution by investing to achieve emissions reductions in developing countries as well as within the EU through the use of JI/CDM. For the long-term certainty which is needed to give investors confidence, the European Commission should guarantee that credits from JI/CDM projects, or similar mechanisms, will be valid for compliance beyond 2012 and provide clarity on the balance of effort required between domestic and global action. The rules on this balance should be reviewed at EU level ahead of Phase III.

The Market

In developing the EU ETS beyond 2012, it is important we minimise potential market distortions and promote the efficiency and transparency of the market. These objectives should recognise the need to promote diversity in the mix of energy technologies deployed across Member States to ensure secure energy supplies, to provide a level playing field for investment in technologies which reduce emissions.

Harmonisation

A key driver of efficiency and transparency is harmonisation of the implementation of the EU ETS across Member States including: defining sectors covered by the Scheme; technical definitions; allocation methodology, and monitoring, reporting and verification requirements, amongst others. There might be scope to achieve harmonisation across the EU more fully and more rapidly at a sectoral level.

Expansion

The long-term stability of the EU ETS is crucial if existing participants are to have the confidence to invest at scale. Expansion of the scheme to include other sectors and gases must be managed carefully and be well signalled to avoid undermining the carbon market. In some sectors, other policies and measures may be more effective at delivering emissions reductions and these should be fully evaluated before deciding whether a sector should be brought into the EU ETS. EU ETS post 2012 should be part of an integrated approach to tackle climate change.

Global Market

A number of other countries are developing emissions trading schemes. Linkage of EU ETS with such schemes provides an important bridge to the development of a global carbon market. This will also help to minimise the competitiveness impacts. However, this must be based on strong environmental integrity and a comparable set of rules, including long term emissions reduction objectives, a consistent basis for setting caps, appropriate monitoring, reporting and verification requirements and sufficient market transparency to prevent price

shocks. We believe Europe has an important role to play in facilitating the early development of a global market.

We invite business leaders, NGOs and other key stakeholders across Europe to sign this manifesto and to work in pressing Member State Governments and the EU institutions to put the EU Emissions Trading Scheme on a sound footing post-2012. This will enable European industry to play its full part in responding to the urgent challenge of mitigating the impacts of global climate change.

Signed by:

Alcan
Association of Electricity Producers
Barclays
British Petroleum
British Cement Association
British Ceramic Confederation
British Energy
British Glass Manufacturers' Confederation
British Lime Association
British Sugar
Carbon Trust
Confederation of British Industry
Carbon Capture and Storage Association
Centrica
Chemical Industries Association
Combined Heat and Power Association
Coalpro
Construction Products Association
Confederation of Paper Industries
Corus
Drax Power Station
Department of Health
EDF Energy
Energy Consortium, The
Engineering Employers' Federation
Emissions Trading Group
Energy Saving Trust
Environmental Industries Commission
E.On United Kingdom
Food and Drink Federation
Green Alliance
International Power
Institutional Investors Group on Climate Change
Manufacturers' Climate Change Group
Renewable Energy Association

Royal Society for the Protection of Birds
RWE npower
Scottish and Southern Energy
Scottish Power
Scottish Centre for Carbon Storage
Sustainable Development Commission
Shell
Scotch Whisky Association
Energy Consortium, The
UK Business Council for Sustainable Energy
United Kingdom Steel
United Kingdom Offshore Operators Association
United Utilities
World Wide Fund for Nature – United Kingdom
David Miliband, Secretary of State for Department for Environment, Food and Rural Affairs
Alistair Darling, Secretary of State for Department of Trade and Industry