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**Greenpeace draft position paper on the European Commission legislative proposals on:  
-Effort Sharing of the EU-27 climate targets for 2020;  
- Review of the Emissions Trading Scheme for its operation from 2013.**Introduction

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On 23 January, the European Commission presented new legislation on climate and energy as a follow-up to the relevant objectives set by the 2007 Spring European Council. These laws, when finally adopted, will demonstrate to the world the degree of Europe's commitment and leadership in the global effort to prevent dangerous climate change.

In this position paper we present some first recommendations by Greenpeace on how to strengthen the environmental effectiveness and climate ambition of two of the Commission's recent proposals:

- "Decision on the effort of Member States to reduce their greenhouse gas emissions to meet the Community's greenhouse gas emission reduction commitments up to 2020" (COM 2008 17 final);
- "Directive amending Directive 2003/87/EC so as to improve and extend the EU greenhouse gas emission allowance trading system" (COM 2008 16 final).

These two laws are complementary, interdependent and equally crucial in their significance, given that they define the rules for containing greenhouse gas emissions across all EU countries and across all the main sectors.

The 'Umbrella Issue' – the magnitude of the EU Climate Target for 2020

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The backbone of the climate targets within the two proposals is the internal EU agreement struck in spring last year in which the EU promised it would reduce its greenhouse gas emissions by 30% by 2020 (compared to 1990 levels) as part of a new global deal. The 2007 Spring Summit also agreed that until the new deal is concluded, the EU would only commit to reducing its emissions by 20%.

Greenpeace believes that this 20% cut is a political and scientific mistake and needs to be revised within the legislation for the following two reasons:

- Firstly, as the Commission has already recognised<sup>1</sup>, this target is inconsistent with the EU objective of keeping mean temperature increase below 2 degrees Celsius compared to pre-industrial levels. The EU committed to this temperature threshold over a decade ago with the intention of preventing the most devastating impacts of climate change. Only if the EU commits to reducing its emissions by at least 30% domestically will it respect its own objective; this -20% target is a purely arbitrary number.

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<sup>1</sup> January 2007, European Commission Communication, *Limiting Global Climate Change to 2 degrees Celsius. The way ahead for 2020 and beyond*, COM (2007) 2 final.

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2007:0002:FIN:EN:PDF>

- Secondly, this cut is weaker than what was agreed for developed countries during the international climate negotiations in Bali in December 2007. There, the range agreed for developed country reductions was set at 25-40% by 2020<sup>2</sup>.

**In light of recent political agreements reached within the Kyoto Protocol post-2012 discussions and the scientific evidence consistent with the 2-degree objective, Greenpeace urges EU member states to revise this unilateral commitment to ensure that the EU cuts its domestic emissions by 30% by 2020, compared to 1990 levels.**

Additionally, this legislation should have a longer-term emission horizon, which is informed by the most recent scientific findings and is consistent with the 2-degree Celsius objective. Therefore, Greenpeace is calling for a 2050 target – an EU emission cut of at least 80% by 2020, compared to 1990 levels.

#### Other Cross-Cutting Issues – External credits & Reinforcing the post-2012 UN framework

In both legislative proposals, the Commission has failed to acknowledge the continuation of the United Nations Framework Convention on Climate Change (UNFCCC) and of the Kyoto Protocol after 2012. This is particularly startling given that the EU is fully engaged in the ongoing UN post-2012 framework negotiations, which were officially launched over two years ago and should be ideally completed in Copenhagen in the end of 2009. Instead, the text vaguely refers to '*a future international agreement*'.

- Greenpeace believes that the 'trigger' for increasing the ambition of the EU climate targets (for both the ETS and the non-ETS sectors) should be explicitly linked to the UNFCCC process.

We are also gravely concerned about the provisions on use of external credits after 2012 in both laws. They currently allow for a significant use of external credits, obtained both by governments and by operators covered by the emissions trading scheme (ETS), which can count towards the fulfilment of the EU target.

Most importantly, there are no safeguards whatsoever in either proposal on the quality of projects that would qualify after the conclusion of an international agreement.

This *de facto* acceptance of a large volume of external credits poses two significant risks. Firstly, it reduces the EU's weight in the global negotiations on the post-2012 shape of the Clean Development Mechanism and Joint Implementation (or of any new form of flexible mechanism). It declares that EU governments and industry will be prepared to purchase a great deal of external credits, no matter what shape or form they take. Secondly, it precludes the outcome of these negotiations. Within the post-2012 Kyoto framework, the EU should reserve the right to select which overseas projects governments - and EU industry through the ETS - should be giving priority to and which ones, if any, they want to exclude.

- A more logical approach would be for EU countries to first secure an adequate level of domestic effort by 2020 (an overall 30% cut compared to 1990 levels). Then, external credits should only be eligible for use if they come on top of this minimum effort and if they fulfil strict criteria (verifying their climate benefit and guaranteeing their environmental integrity). Greenpeace believes that external credits from certain projects should be explicitly excluded in the future: sinks, carbon capture and storage, large hydroelectric projects and, of course,

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<sup>2</sup> December 2007, *Conclusions adopted by the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol at its resumed fourth session held in Bali, 3–11 December 2007.*  
[http://unfccc.int/files/meetings/cop\\_13/application/pdf/awg\\_work\\_p.pdf](http://unfccc.int/files/meetings/cop_13/application/pdf/awg_work_p.pdf)

nuclear power generation. Project-developers should provide evidence on whether all other projects are additional and environmentally friendly. The simplest way of ensuring this would be to only allow credits from suitable and additional renewable energy projects.

Finally, we are fully aware that the reasons for using the year 2005 as the baseline for setting EU targets for the ETS and non-ETS sectors are purely technical (i.e. data availability).

- In the interest of consistency with the current UNFCCC targets, as well as of continuity and comparability, the overall EU target must continue to refer to a baseline of 1990. The distribution of this target across countries and sectors through this legislation is an internal EU matter. But it is of paramount importance that in the external context of the global negotiations, the EU should always refer to and seek to maintain the 1990 baseline.

#### 'Effort-Sharing' Between Member States

*"Decision on the effort of Member States to reduce their greenhouse gas emissions to meet the Community's greenhouse gas emission reduction commitments up to 2020"*

As explained above, Greenpeace's first criticism is on the magnitude of the total non-ETS emission cap, given that it has not been set to match a total 30% reduction by the EU by 2020, but is instead derived from the inadequate 20% cut.

In the current text, there is a stated limit on the maximum emission cut for any individual Member State. In our view, each Member State would need to reduce its emissions so that it adequately contributes to meeting a 30% domestic cut by the EU as a whole. In certain cases, this will mean setting reduction targets that are considerably more ambitious than the maximum cuts set in the current draft. Furthermore, there is no real justification for including this limit in the Decision, even if it is only mentioned in the preambular text.

- The limit capping the maximum emission cut by any given Member State should be deleted from the preambular text of the proposal.

Furthermore, the draft decision already announces the number of credits from external projects that can be used towards fulfilling each national climate target, such as those currently obtained through the Kyoto Protocol's Clean Development Mechanism.

- As stated earlier, Greenpeace is asking for a strict quality check on any external credits that will then be used on top of a total 30% domestic emission reduction effort.

The Commission's decision is also allowing for trading<sup>3</sup> between Member States of any 'leftover' external credits.

- The legal text allowing for the trading between Member States of their unused quotas of external credits should be deleted.

As mentioned earlier, another concern arises with respect to the use of a 2005 baseline for emission reductions instead of using 1990, the year mostly used for the Kyoto Protocol commitments set for 2008-2012. EU countries that have shown little climate progress by the year 2005 towards their existing Kyoto commitments will have more lenient targets (than the ones they would have been allocated had they done more). This applies to all the EU climate laggards, like Spain, Italy, Luxembourg, Austria, Ireland, Denmark, Portugal, Slovenia, Greece....

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<sup>3</sup> See Articles 4.4 and 6.4

- This unwelcome consequence from the change of baseline to 2005 needs to be corrected when setting individual 2020 targets.

One of the drawbacks of the Kyoto Protocol was that the individual country targets were set in 1997 for 2008-2012, i.e. there was over a decade between the setting of the target and the target date itself. What happened in practice was that many governments failed to adopt the necessary climate policies, with the expectation that their successors would do so. We now need to learn from the existing Kyoto experience and improve its second commitment period by setting both short and medium term targets.

- The EU and the Member States should also adopt intermediate targets for 2015.

Finally, there is no compliance mechanism included in the Decision, which is needed to specify the penalties that countries would face if they do not respect their individual climate commitments. This is a critical oversight that needs to be corrected.

- Penalties should be defined for Member States failing to meet their individual targets (for 2015 and 2020), similar to the ones set through the Emissions Trading Directive.

#### Emissions Trading Scheme

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*“Directive amending Directive 2003/87/EC so as to improve and extend the EU greenhouse gas emission allowance trading system”*

Cap: Greenpeace welcomes the EU-wide, top-down cap which ensures that all companies in the same sectors can operate according to the same ETS rules across Europe, but asks for it to be revised so as to be in line with an overall EU greenhouse gas domestic cut by 30% by 2020.

Auctioning: A positive aspect of the new legislation is that allowances will now be fully auctioned in the power sector as from 2013. However, in many other sectors full auctioning has been postponed to as late as 2020. This is particularly difficult to justify for sectors like aviation and refineries. Greenpeace supports full auctioning as the only fair and effective allocation method that eliminates windfall profits<sup>4</sup> and applies the polluter-pays principle. Auctioning also gives a clear price signal and does not discriminate between sectors and companies in the EU. Furthermore, at today’s levels, full auctioning would generate up to €50 billion a year which - if spent on additional climate and environmentally friendly measures - would increase the indirect positive contribution of the ETS.

Quality of External Credits: The present criteria on the quality of external credits are restricted to some minimum safeguards on hydroelectric projects and the fact that sink credits<sup>5</sup> are presently excluded from the ETS. Some of the external projects that are currently being financed through the ETS are of dubious additionality (i.e. they might have happened anyway and funding could have been used in other projects that would have had an added climate benefit) or even environmental integrity. Therefore, as mentioned previously, another lamentable element of the Directive in our view is the absence of qualitative safeguards on the type of projects that will be admissible by EU installations after an international agreement has been made.

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<sup>4</sup> Some companies made ‘windfall profits’ (unexpected profits) in the first trading period of the ETS because they increased the cost of the product they were selling, although their costs due to their participation in the ETS did not go up given that they had obtained their permits for free. This phenomenon has been most prominent among electricity producers covered by the ETS.

<sup>5</sup> Claiming credit for carbon stored in forests and other vegetation (‘sinks’) is one of the most contentious and problematic issues in the Kyoto Protocol. Sinks are not permanent and they can very easily turn into a carbon time-bomb. They are very difficult to monitor.



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