

28 February 2008

Re: NGO briefing on the European Commission's legislative proposals on 2020 greenhouse gas effort sharing and the review of the European Emission Trading Scheme

Dear Minister,

The attached briefing represents a summary of CAN-E's position on and recommendations for the key issues to be discussed and decided within the proposals under the Climate and Energy Package released by the EU on 23 January 2008.

In your discussions on the combined package you have another opportunity to redress some of the short-comings and insufficiencies which define some of the proposals. This briefing centers mainly on the effort sharing and review of the EU ETS proposals.

CAN-E members look forward to working with you in the months ahead to 2009, where we must see these proposals strengthened and brought in line with the commitments the EU has made to its citizens and the international community. Europe has a role to play, it is up to you and your colleagues how this role is defined - by ambition and political will or business as usual.

Yours sincerely,



Matthias Duwe,
Director, Climate Action Network Europe
On behalf of Climate Action Network International

Cc'd to: MEPs and Environment Ministers

Climate Action Network Europe (CAN-E) is a coalition of more than 110 environmental and development non-governmental organisations in 25 European countries. Our network is committed to limiting human-induced climate change to ecologically sustainable levels and to achieving an equitable climate agreement.



“GLOBAL LEADERSHIP MEANS DOMESTIC ACTION”

CAN-Europe and its member groups welcome the European Commission’s proposals on the 2020 effort sharing of greenhouse gas emission reductions and the review of the EU Emissions Trading directive. The proposals are a bold move forward in the implementation and improvement of European climate change policies. However, they are only a limited and inconsistent first step in implementing the decisions of the March 2007 Council on 2020 greenhouse gas emission reduction objectives. The European Union has a leadership role at the international climate change negotiations. To retain credibility, this international leadership has to be mirrored by strong domestic action. This is crucial to secure a robust and equitable global post 2012 agreement. NGO’s call on the EU Environment Council, the EU Energy Council and the European Parliament to strengthen and align the proposals so that they are in line with Europe’s stance at the international stage.

The effort sharing proposal and the review of the EU Emissions Trading Scheme (EU ETS) have an ambition level which is clearly insufficient to achieve the reductions demanded by evidence presented by the IPCC and to keep the rise of global average temperatures below 2°C. The proposals, starting with a 20% reduction effort compared to 1990, are therefore inconsistent with the United Nations Framework Convention on Climate Change (UNFCCC) ultimate objective of preventing dangerous Climate Change. It is also contrary to the EU’s position at COP13 in Bali where all EU Member States called for reductions of emissions of 25 - 40% by 2020 for industrialised countries.

On top of the unambitious and inconsistent reduction targets, these proposals offer Member States and EU ETS installations the opportunity to off-set their emissions by using large quantities of external credits (such as those from the Clean Development Mechanism (CDM)). These loopholes are a major concern for NGOs because they will further limit domestic EU reduction efforts and move the EU even further away from the required emission trajectory to stay well below a 2°C warming.

Therefore CAN-Europe calls for a 30% domestic EU reduction target by 2020 compared to 1990 levels. On top of this the EU must show a clear ambition to support developing countries in addressing their greenhouse gas emissions and in achieving sustainable development. European NGOs propose the introduction of binding, measurable, and verifiable efforts, by EU Member States and EU ETS installations in contributing to GHG mitigation in these countries. To quantify these efforts, we refer to a report by the UNFCCC¹ secretariat, which states that by 2030 a financial investment of around 69 billion EUR is required for mitigation in developing countries. With the EU 27 responsible for 30% of greenhouse gas emissions from industrialised countries in 1990, this implies that the EU should invest around 21 billion EUR.²

The European Commission has missed the opportunity to show EU leadership in setting quality criteria for external credits that can enter the EU as from 2013. This goes against the overwhelming evidence that many CDM projects are not delivering real emission reductions and in several cases are not contributing towards sustainable development.

1 “Investment and financial flows to address Climate Change”, UNFCCC, 2007

2 With an allowance price of around 25 EUR per tonne of CO₂ this amount is comparable to about half of the EU 30% domestic emission reductions compared to 1990 levels.

We strongly stress that the use of external credits should fulfil strict environmental, social and additionality criteria. These standards should as a minimum be equivalent to the “CDM Gold Standard” developed and supported by NGOs³.

The limited enforcement and compliance provisions in the effort sharing proposal impose a further risk to the achievement of the reduction targets. To keep EU Member States on track to meet their 2020 reduction targets, enforcement and compliance measures of equivalent strength as those under the EU ETS have to be introduced in the effort sharing proposal. **The effort sharing proposal should be given the strongest enforcement tools available to make sure that Member States reduce their emissions in a linear annual manner, as foreseen in the effort sharing proposal.**

CAN-Europe applauds the streamlining of the EU ETS. By setting the cap at EU level from 2013 onwards, the EU clearly demonstrates that some lessons from the past have been learnt. The higher level of auctioning in the EU ETS review proposal moves it towards an instrument that introduces a clear price on carbon through the whole production chain. However, excluding some sectors from full auctioning will harm the environmental effectiveness of the EU ETS. Without a clear price on carbon we will miss the development and introduction of stepping stone technologies that can take us to the necessary reduction target of at least 80% by 2050. **Postponing the introduction of 100% auctioning will therefore only increase the reduction costs in the longer term, due to the absence of R&D and market introduction of EU developed mitigation technologies.**

According to the latest IPCC report anthropogenic climate change is already creating significant costs for developing countries. These are environmental, economic and human costs caused by the historical emissions of industrialised countries such as the EU Member States. Using the equity and polluter pays principles, this implies that EU Member States have to compensate for the damage already caused in developing countries by climate change. **CAN-Europe strongly requests that at least 50% of the revenues from EU allowance auctioning is invested to assist developing countries in adapting to the effects of climate change⁴ while at the same time further assisting in their efforts to mitigate future climate change through the development and transfer of technology, capacity building and support for sustainable policies and measures. The remaining 50% of the auctioning revenues should be used in the EU for supporting the development and market introduction of environmentally sound greenhouse gas reduction instruments and technologies.**

With the rest of the world watching exactly how the EU will deliver its international and domestic ambition in fighting climate change, strengthening the legislative proposals on effort sharing and emissions trading will be of crucial importance. Failing to do this or, even worse, trying to weaken the proposed legislation will have direct consequences on the international arena. EU Member States and the Members of European Parliament must rise to this challenge. They now not only bear a responsibility towards the current and next generations of European citizens but also to the future of this planet.

³ www.cdmgoldstandard.org

⁴ OXFAM estimated that the financial need for adapting to the effects of Climate Change in developing countries amounts to 50 billion US dollars.

KEY NGO DEMANDS

- An overall 30% domestic EU reduction target compared to 1990 emission levels
- On top of the domestic reduction effort the EU has to commit to binding, measurable and verifiable greenhouse gas mitigation and adaptation efforts in developing countries. The financial effort required amounts to around 21 Billion EUR for the EU 27 for mitigation alone.
- The compliance and enforcement of emission reduction targets for non-EU ETS sectors must be as strong as those in place for companies under the EU ETS. The Commission should be given the strongest enforcement tools available to make sure that Member States reduce their emissions in a linear annual manner as foreseen in the proposals.
- External credits should only be eligible for use if they fulfil strict criteria (verifying their climate benefit and guaranteeing their environmental and social integrity). At a minimum, CDM projects must be required to meet the CDM Gold Standard.
- Full auctioning should be the default allocation method in the EU ETS from 2013.
- 50% of the revenues from auctioning allowances in the EU ETS should be used for adaptation to current and future damage caused by climate change and for mitigation in developing countries. The other 50% of the auctioning revenues shall be used in the EU for supporting the development and market introduction of greenhouse gas reduction instruments and technologies.

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