

WORKSHOP REDD+ & GHG markets

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Update on EU deliberations on linking forest based mitigation to the EU ETS

Matthieu WEMAËRE
Research Associate

Climate and Energy Programme – IDDRI
Permanent Representative of IDDRI at EU institutions in Brussels



Revision of EU ETS (1)

- **Phases I and II EU ETS: JI/CDM credits from LULUCF activities are not recognized in the EU ETS for compliance:**
 - ETS: “technological” driver for “permanent” reductions in the EU
 - Temporary and reversible nature of LULUCF: liability risks

- **The Commission proposal for the review of the EU ETS suggested to maintain the exclusion, because of the liability risks.**

- **Directive 2009/29/EC amending the EU ETS Directive:**
 - Use of CERs/ERUs from project types which were eligible for Phases I and II
 - Anticipate the possibility to use other credit types in the future depending on the outcome of international negotiations on climate change

The revision of the EU ETS (2)

- Amounts of credits other than from LULUCF activities to be used from 2008 up to 2020, irrespective of an international agreement :
 - Minimum 11% of NAP2 allocation corresponding to roughly 6% of Phases' 2 and 3 caps
 - 1.6 to 1.7 Bt over 2008-20
 - Complementarity observed = about 50% of total reduction, and 38% of effort as compared to BAU (projected at 4.056 Mt).
 - More certainty and predictability

- Quality requirements to provide a harmonised approach and to ensure that credits represent real emission reductions and bring about benefits to sustainable development

EU ETS and LULUCF post 2012 (1)

- **Preamble of the amended EU ETS Directive:**
 - « The EU should work to establish an internationally recognised system for reducing deforestation and increasing afforestation and reforestation, supporting the objective, within the UNFCCC, of developing financing mechanisms, taking into account existing arrangements, as part of an effective, efficient, equitable and coherent financial architecture within the post-2012 climate agreement to be reached in Copenhagen »

EU ETS and LULUCF post 2012 (2)

- **Adjustment (art. 28)** At the latest 3 months after the signature [...] by the Community of an international agreement on climate change leading, by 2020, to mandatory reductions of greenhouse gas emissions exceeding 20% compared to 1990 levels, as reflected in the 30% commitment as endorsed by the Spring 2007 European Council, the Commission shall submit a report assessing, in particular, the following elements:
 - appropriate modalities for including emissions and removals related to land use, land use change and forestry in the Community; [...]
 - afforestation, reforestation, avoided deforestation and forest degradation in third countries in the event of the establishment of any internationally recognised system in this context;

Additional credits and use of other credit types to implement an international agreement

- **Article 28 §2 of the revised EU ETS Directive 2009/29/CE:**
 - « On the basis of this report, the Commission shall, as appropriate, **submit a legislative proposal amending the directive**, (...) in view of the emissions reduction commitment to be implemented under that agreement.
 - This proposal shall allow, as appropriate, operators to use CERs, ERUs or **other credits approved from third countries which have ratified the international agreement in addition to the credits provided for in this Directive**.
 - It shall also include, as appropriate, any other measures needed to help reach the mandatory reductions (...) and, in particular, **implementing measures to provide for the use of additional types of project credits by operators or the use by such operators of other mechanisms created under the international agreement, as appropriate**

Decision on effort sharing - Non ETS

- Decision on Effort Sharing was adopted as part of the EU Climate and Energy Package to distribute among Member States mitigation efforts in sectors not covered by the EU ETS (-10%/2005 levels)
- The Effort Sharing Decision allows for some **flexibility**:
 - Use of emission credits, **including from LULUCF**, eligible under JI/CDM, up to 3% annually of emissions in 2005
 - For some Member States (A, Fin, DK, It, SP, B, Lux, PT, IRL, SLO, CYP), who can meet certain (4) conditions = use of + 1% credits from projects in LDCs and Small Island States
- **Estimation of total demand for credits**: 782 Mt of CO₂ for 2013 – 2020 period = 80% of total absolute reduction and 50% of efforts as compared to BAU (in case of unilateral commitment of -20% by 2020)
- **Further adjustments will also be needed when an international agreement on climate change is reached**: Commission to report on implications and options for moving to a 30% reduction, as well as for the potential inclusion of LULUCF

REDD(+) in Council conclusions

- **ENV Council Conclusions of 21 October 2008: insist on the importance of an ambitious deal in the Copenhagen agreement on REDD(+) in developing countries:**
 - Willingness to consider “under appropriate conditions”, in the context of an agreement in Copenhagen, how to harness public financing and carbon markets with respect to REDD(+)
- **ENV Council Conclusions of 4 December 2008:**
 - “EXPRESSES openness to the idea that recognition for EU ETS compliance as a complementary tool in the medium to long term could be considered after a thorough review and in the light of experience gained, especially on methodological questions;”

REDD+ in recent EC Communications

- **Communication (2008) 645/3 suggests a two-steps approach:**
 - Short term: Establishment of Global Forest Carbon Mechanism (FGCM)
 - Long term: “testing” inclusion of REDD(+) credits in carbon markets for government compliance, inclusion in EU ETS to be assessed post 2020

- **Communication “Copenhagen” of 28 January 2009:**
 - To reduce gross tropical deforestation by at least –50% by 2020 compared to current levels is feasible
 - If crediting of REDD actions would be allowed for offsetting purposes, then targets for developed countries need to be made much more stringent (cuts around –38%/ 1990 levels in 2020)

Conclusions

- **The door is opened for the inclusion of other credit types post 2012**
- **Still a political pressure for not including REDD+ credits in the EU ETS before 2020**
- **Learning by doing before 2020 through use of REDD credits by Governments for compliance**
- **Depend on the level of ambition of Annex I mid-term targets in the Copenhagen Agreement**