

WORKSHOP REDD+ & GHG markets

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EU CLIMATE & ENERGY PACKAGE

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

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Latest developments

- **Trilogues on CO2 & Cars, Renewable Energy and CCS completed last week, but...**
- **Trilogues on ETS and non ETS (effort sharing) still pending**
- **ENV Council Conclusions of 4 December 2008 addressing the challenges of deforestation and forest degradation to tackle climate change and biodiversity losses**
- **European Summit of December 11 and 12: EU Heads of State and Governments expected to agree on the final shape of the EU Energy Package**
- **European Parliament session scheduled on December 17, 2008**

The position of the Commission

- **To date, JI/CDM credits from LULUCF activities in the EU ETS 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

- **In 2008, the Commission proposal maintains the exclusion of credits from LULUCF, mainly because of the liability risks**
 - But suggests (MS “should”) earmarking of a portion of auction revenues to tackle deforestation (20% for all climate related activities)
 - Nothing on linking REDD(+) credits: “international negotiations to come”

- **Commission Communication (2008) 645/3 suggests a two track/step 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

The position of the EP

- **Doyle Report adopted by ENVI Committee (7 October 2008):**
 - **Allows, “upon ratification of a future international agreement on climate change”, EU ETS operators to use credits up to 5% of ETS installations’ emissions from:**
 - ✓ sustainable, verifiable, permanent forestry activities in DCs with which an agreement has been concluded (clause art. 11.5), and
 - ✓ any sustainable, verifiable and permanent forestry projects in DCs in compliance with the international agreement (art.28: 20 to 30% clause, use of other credit types up to half of additional reduction effort).
 - ✓ ...provided credits are generated by projects meeting high quality criteria, to be adopted by the Commission (= mandate).

Developments in Council

- **A majority of MS are against linking forest based mitigation to the EU ETS at this point of time, whether for A/R or REDD(+)**
- **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;”

Conclusions

- **Action must be taken to tackle deforestation. Using REDD(+) in the EU ETS is one option to be further explored, and the door should be left open**
- **Early action for readiness and development of sustainable forestry policies and measures can be financed through the use of auction revenues now**
- **Review ETS and, in the light of experience gained, to decide upon the recognition of REDD(+) credits**
 - **Timing issue (post 2012 indeed, but pre 2020?)!**
 - **First to comply to Effort Sharing Decision (non ETS)?**