

# Working together

International Cooperation on ETS Implementation

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13 December 2017



Cooperation to take us from where we are  
to where we want to get



**Leading economists:**  
\$40-\$80/tCO<sub>2</sub> by 2020  
\$50-\$100/tCO<sub>2</sub> by 2030  
> \$250/tCO<sub>2</sub> by 2050

**World Bank Group:**  
75% of carbon prices  
< \$10/tCO<sub>2</sub>

# We can design the 'perfect' cap-and-trade system on paper ...

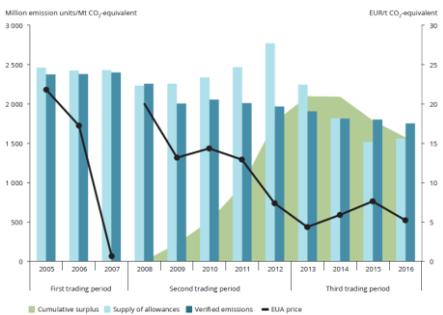
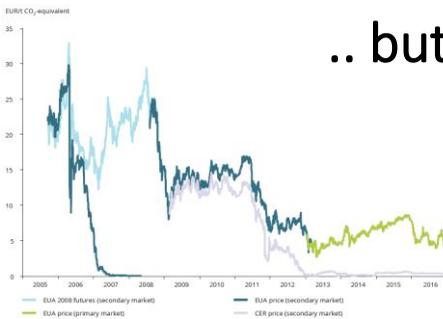
- Set the cap so it reflects real emissions
- Annually lower the cap to meet the Paris climate goals
- Allocate allowances through auctioning (no free allocation)
- Recycle auctioning revenues to the low-carbon economy
- Put in place safeguards, such as rising carbon floor prices and companion policies, to enhance long-term effectiveness



## .. but the reality is different

After over a decade, the EU ETS is still not functioning efficiently:

- Cap > emissions
- Trajectory not in line with Paris goals
- Majority of allowances handed out for free
- Low carbon price



# Main problem: lack of public support for effective carbon pricing

Carbon markets can be made more acceptable in three ways:

1. Providing more transparency on benefits and impacts
2. Recycling of revenues for the just, low-carbon transition
3. Putting climate at the heart of the ETS' design



## Providing more transparency

Transparency is usually provided by making data publicly available to the public, allowing stakeholders to monitor the effectiveness of the system.

Problem: carbon markets are very complex systems





## CLIMATE ACTION

European Union Transaction Log

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EUROPA > European Commission > Environment > Climate Change > European Union Transaction Log

Welcome

ETS

Allocations to Stationary Installations

Allocations to Aircraft Operators

Compliance Accounts

Operator Holding Accounts

Transactions

International Credit Establishments

Union Registry Holdings

ESD

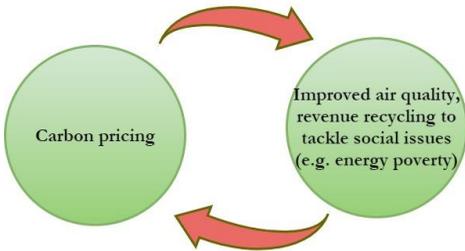
Fees

### Operator Holding Account Information

General Information								
National Administrator	Account Type	Account Holder Name	Installation ID	Company Registration No	Account Status			
Netherlands	100-Holding Account	Heineken Nederland B.V	70	33127077	open			
Details on Contact Information								
Type	Name	Main Address Line	Secondary Address Line	Postal Code	City	Country		
Account holder	Heineken Nederland B.V	Burmeester Sneetsweg 1		2302 PH	ZOETERWOUDE	Netherlands		
Installation Information								
Installation ID	Installation Name	Permit ID	Permit Entry Date	Permit Expiry/Revocation Date	Subsidiary Company	Parent Company	E-PRTR Identification	
70	Heineken Nederland B.V. brouwerij Zoeterwoude	NL-200400202	2005-01-01					
Address Information								
Main Address Line	Secondary Address Line	Postal Code	City	Country	Latitude	Longitude	Main Activity	
Burg Sneetsweg 1		2302 PH	ZOETERWOUDE	NL			1-Combustion installations with a rated thermal input exceeding 20 MW	
Contact Information								
Name	Main Address Line	Secondary Address Line	Postal Code	City	Country			
Compliance Information								
EU ETS Phase	Year	Allowances in Allocation	Verified Emissions	Units Surrendered	Cumulative Surrendered Units**	Cumulative Verified Emissions***	Compliance Code	Options
2005-2007	2006	64549	64509	64509	64509	64509	A	History
2005-2007	2006	65449	66791	66791	131647	131647	A	History
2005-2007	2007	65449	65602	65602	197449	197449	A	History
2008-2012	2008	73534	67614	66367	66367	67614	E*	History
2008-2012	2009	73534	60803	60803	129170	128417	A	History
2008-2012	2010	73533	51762	51762	180932	180179	A	History
2008-2012	2011	73533	48523	48523	229455	228702	A	History
2008-2012	2012	73533	47207	46514	275969	275969	A	History
2013-2020	2013	33611	47295	47295	47295	47295	A	History
2013-2020	2014	30078	46001	46001	93376	93376	A	History
2013-2020	2015	29943	45873	45873	139249	139249	A	History
2013-2020	2016	23310	39259	39259	179508	179508	A	History
2013-2020	2017	20081						History
2013-2020	2018	16956						History
2013-2020	2019	13932						History
2013-2020	2020	11022						History
Compliance Code	Compliance Code Explanation							
A	The number of allowances and ERUs/CERs surrendered by 30 April is greater than or equal to verified emissions							
B	The number of allowances and ERUs/CERs surrendered by 30 April is lower than verified emissions							
C	Verified emissions were not entered until 30 April							
D	Verified emissions were corrected by competent authority after 30 April of year X. The competent authority of the Member State decided that the installation is not in compliance for year X-1							
E	Verified emissions were corrected by competent authority after 30 April of year X. The competent authority of the Member State decided that the installation is in compliance for year X-1							
X	Environ unified emissions and/or surrender was immovable until 30 April due to the allowance surrender process and/or unified emissions update process being suspended for the Member State's activity							

# Disclose easily-understandable information

Civil society can be instrumental in building public support by putting societal co-benefits at the heart of carbon pricing



Providing regularly the following information to the public can help increase trust in, and credibility of, the carbon market:

- Achieved and expected **greenhouse gas reductions**
- Achieved and expected **co-benefits**, e.g.: reduced air pollution, improved health, less households in energy poverty
- Impacts on average **household incomes**, especially low-income households
- Impacts on **job creation and losses**, and competitiveness effects



## Earmarking of auctioning revenues

Revenues can be recycled to tackle social issues (e.g. energy poverty) and support low-carbon research, development and deployment.

This helps to show and strengthen the purpose of carbon markets: reducing emissions.

Disclosing information on how revenues have been used increases awareness of the positive effects of carbon pricing.



## Putting climate at the heart of the ETS' design

Carbon markets are increasingly being seen as hampering climate action, rather than spurring it:

- Carbon markets have been used as an argument against other (more popular) policies that reduce emissions
- Carbon markets are talked about in business, rather than climate, terms e.g. 'cost-efficiency', 'reducing compliance costs' instead of 'putting a price on pollution', 'scaling up climate action'

➤ Re-define the objective of the ETS, e.g. to support the just transition to zero-carbon societies



## Opposition by vested interests against effective carbon pricing

Lobby by vested interests can have a disproportionate influence on ETS design and undermine the effectiveness of carbon markets.

Some industry claims have been exaggerated to push through unjustified exemptions in ETSs.

- Enable citizens to correctly evaluate the risks of exempting industries from carbon pricing



**CLAIM**

Quote by Lafarge:  
"Unequal carbon pricing place(s)... the cement sector in particular at risk of carbon leakage\*\*"

See more [here](http://carbonmarketwatch.org/pmy98-buakw/)

**FACT**  
LAFARGE has made almost €500 million from the EU ETS over the last 5 years.\*\*

Stop subsidising pollution  
**Phase-out free ETS allowances**

\*Lafarge (2012) "Lafarge answer to the public consultation on a 2030 framework for climate and energy policies"  
\*\*Lafarge's Annual Reports 2010-2014, gains from selling excess carbon credits

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## Cooperation to increase confidence in carbon pricing

Main arguments used against higher carbon prices are related to competitive distortions.

Cooperation between jurisdictions can help increase awareness on the opportunities of carbon pricing and counter unjustified carbon leakage claims, thereby increasing confidence and public support in this climate tool.

The ultimate objective of ETS cooperation should be to increase carbon prices and phase-out free allocation in order to enable more climate action.

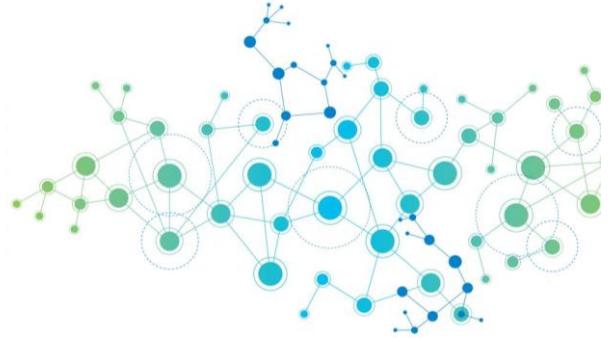


See more [here](#)

## What about linking?

ETS linking should have the aims of increasing carbon prices, deepening emission cuts, and phasing-out of free allowances.

Transparency and public participation must be key conditions for linking emission trading systems to ensure public acceptance.



Thank you!



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