

Future of the EU ETS (2013 onwards)

A UK Perspective

# Domestic Context

- UK Climate Change Bill – statutory targets for carbon emissions reductions in 2020 (at least 26%) and 2050 (60%)
- Review of the 2050 target
- EU ETS is central plank of climate change policy – crucial to achieving our EU & domestic goals

## UK Objectives for the Review

- Ambitious and cost-effective scheme that delivers on the commitments made at the Spring European Council 2007
- Long-term carbon price signal – *increased certainty for investors*

## Does the Proposal Deliver?

- Broadly speaking – yes.

# The cap

- Strongly support EU-wide central cap
- Welcome a cap set out to 2020 with predictable downward trajectory

# Scope

- Welcome provisions to exclude small emitters *where they are covered by alternative measures*
- Support the inclusion of carbon capture & storage (CCS)

# Allocation Methodology

- Agree in principle that auctioning is the most economically efficient allocation methodology
- However, we must consider competitiveness impacts, particularly in the absence of international agreement

# Carbon Leakage

- Agree this is a serious concern *in a limited number of sectors*
- Identification of exposed sectors must be evidence-based
- Solutions must be targeted, proportionate and effective

# International Considerations

- Support proposals to enable linking to other cap-and-trade schemes – a step on the path to a global carbon market
- Strongly support use of CDM / JI, subject to the principle of complementarity
- Must ensure EU ETS sends the right signals to the international community

# Next Steps for the UK

- Negotiating the Directive
- Ongoing engagement with UK Industry and NGOs
- Formal consultation Spring-Summer 2008
- Hope to achieve agreement late 2008 / early 2009

# Thank you for listening

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