Media reports-EU ETS CASE

Scheme for greenhouse gas emission allowance trading within the Community. EU Emissions Trading System (EU ETS) Directive, 2001/0245(COD)

key events---2/12/2001---Debate in Council-- 2399

On the basis of questions prepared by the Presidency to guide future work on the Commission's proposal for a Directive of 23 October 2001 establishing a scheme for greenhouse gas emission allowance trading within the Community, the Council held a policy debate focusing on how to organise the initial phase of the scheme (2005 to 2007) prior to entry into force of the Kyoto Protocol. The Council began by stressing that the European Union saw such an allowance trading scheme as complementary to efforts to reduce emissions via domestic measures and policies. As to whether the method of allocating allowances should be free of charge or by auction, the vast majority of Member States held that making it free would be an incentive to participation. In general, Member States argued for the introduction of a harmonised method of allocation and harmonised criteria as the best means of preventing distortions of competition. As regards cover, the majority of Member States favoured a scheme initially for CO2 only, but did not rule out the possibility of rapidly extending it to other greenhouse gases. There was broad support for the Commission's proposal regarding the sectors to be covered, although a few Member States wanted to include additional sectors, with other stressing that that must be done solely on the basis of harmonised criteria set at Community level. Finally, a large majority of Member States considered that the costs of such a scheme should be borne by electricity producers, in line with the polluter-pays principle. The President concluded the debate by noting that positions were not firmly fixed, since consultations were still under way in some Member States, which had therefore expressed preliminary views. She noted that because of the initial phase many Member States were keeping an open mind and that positions could therefore change, particularly on the subsequent commitment period.

Key events---04/03/2002---Debate in Council---2413

Key events---25/06/2002--Debate in Council--2439

The Council was briefed on the state of play on this proposal for a Directive, which is intended to create a Community market for emission allowance trading as part of the overall reduction in greenhouse gas emissions required by the Kyoto Protocol. Three important issues relating in particular to the first phase in 2005-2007 remain undecided at this stage, i.e. whether the emission allowance trading scheme should be compulsory or optional, what its scope of application should be and how rights to pollute should be allocated. While seeking an overall

reduction in greenhouse gas emissions, the proposal aims to ensure the proper functioning of the internal market and prevent any distortions of competition which might result from the establishment of separate national trading schemes. The first phase of the scheme proposed by the Commission, between the beginning of 2005 and the end of 2007, precedes the Kyoto Protocol's first commitment period. It will be recalled that the Council discussed the proposal at its meeting on 12 December 2001 and that it was briefed on the stage reached in the initial proceedings at its meeting on 4 March 2002.

Key events---25/06/2002--Debate in Council—2439

Council position ---2001/0245(COD) - 18/03/2003

Of the 73 amendments proposed by the European Parliament in first reading, the common position incorporates 23 (totally, in part or in principle, by means of identical or similar wording, or in spirit. **The Council** considers that the common position does not alter the approach and aims of the original proposal from the Commission and notes that the commission also supports the common position as it stands. In addition, the changes introduced by the Council to the Commission's amended proposal respond in certain Member States, with which the European Parliament agreed, that existing instruments should, in certain circumstances, be allowed to continue until the end of 2007 as an alternative to the relevant installations being brought within the emission trading scheme. For the five-year period beginning in 2008, the provision for "pooling" would enable there to be an easier transition between existing instruments, such as long-term negotiated national agreements and emissions trading. The common position incorporates many of the amendments proposed by the European Parliament at its first reading. In particular, reviews will take place by 31 December 2004 and 30 June 2006 to examine if emissions of other greenhouse gases can be sufficiently accurately monitored and the scope of the scheme can be extended. As from 2008 Member States will be able to unilaterally opt-in emissions of other gases, following which a review will consider harmonising the scheme through co-decision. The scope of the emissions trading scheme includes energy, heat and steam production of installations above 20MW, while Member States can extend the coverage of the scheme as from 2005 to lower thresholds. It should also be noted that the originally proposed use of comitology to revise Annex III has been limited to the period 2008-2012 in the common position, which is necessary purely for reasons of timing. The common position's requirement for Member States during the period 2008-2012 to allocate at least 90% of allowances free of charge gives businesses and Member States greater certainty of what to expect in the future, and the issue of further harmonisation of the method of allocation will be included in the review to take place by 30 June 2006. Regarding the

modalities for linking the EC emissions trading scheme with the Kyoto Protocol's so-called project-based mechanisms, it can be noted that the common position does not prejudge this issue: On the basis of the Commission's forthcoming proposal on the project-based mechanisms, the Council and the European Parliament will decide on these modalities through co-decision. Furthermore, the common position accepts the European Parliament's position that the EC emissions trading scheme should only be linked to schemes in third countries that have ratified the Kyoto Protocol.

Interinstitutional File 2001/0245 (COD) Adoption of a common position adopted by the Council with a view to the adoption of a Directive of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC, Brussels, 14 March 2003.

1. Statements by the Council and the Commission

The Council and the Commission understand that any revenues arising from any allocation for the five-year period beginning 1 January 2008 shall accrue to the benefit of the allocating Member State.

The Commission confirms its intention to propose, by the first half of 2003, a Directive for linking project-based mechanisms including joint implementation (JI) and the clean development mechanism (CDM) with the Community greenhouse emission trading scheme.

The Council confirms its intention to work towards a swift adoption of the forthcoming Directive in order for it to apply in parallel with the Community greenhouse gas emissions trading scheme in 2005.

The Commission submitted the above proposal to the Council on 23 October 2001. This proposal is based on Article 175(1) of the Treaty.

The European Parliament, in accordance with the procedure in Article 251 of the Treaty, delivered its opinion at first reading on 10 October 2002. The Economic and Social Committee adopted its Opinion on 29 May 2002. The Committee of the Regions adopted its opinion on 14 March 2002.

The Council reached agreement on the Articles and the Annexes at its meeting on 9 December 2002 and requested the Permanent Representatives Committee to establish the preamble and forward the text to the legal/ linguistic experts for finalization.

This having been done, it is suggested that the Permanent Representatives Committee invite Council, as an "A" item on the agenda of a forthcoming meeting, to adopt its common

position as contained in 15792/02 ENV 776 MI 308 IND 103 ENER 329 CODEC 1671+COR 1 (de).

--- take note of the statement of the Council's reasons in 15792/02 ADD 1,

--- enter in its minutes the statements as contained in ADD 1 REV 1to this Note.

The common position will be forwarded to the European Parliament as soon as possible, together with the statement of the Council's reasons.

2. Statement by Denmark

In conjunction with the implementation of this Directive, Denmark endorses the need to incorporate effective, proportionate and dissuasive penalties into national legislation in order to ensure compliance with the Directive. However, the Community is not competent to harmonise Member States' criminal law in this Directive, and therefore cannot require Member States to incorporate penalties of an administrative or penal nature into their national legislation when implementing the Directive.

3. Statements by Germany

It is the Federal Republic Germany's view that within Article 27 "activities" are not necessarily defined according to Annex I but can also include sectors. It is the Federal Republic Germany's view that 1990 may be used as a possible base year for the allocation and for the accommodation of early action.

4. Statement by Finland

Finland considers it important, in implementing the Directive and especially Article 27 thereof, to take account of the need of some Member States to be able to continue to employ national instruments which have proved successful, such as energy taxation and energy savings agreements, in order to limit greenhouse gas emissions.

5. Statement by the Netherlands

The Netherlands generally supports the objectives of the Directive, especially the pursuit of the greatest possible degree of harmonization. With respect to Article 16, the Netherlands would like to state the following:

The Netherlands endorses the need to incorporate sanctions in national legislation implementing this Directive that are effective, proportionate and have a deterrent effect, as a means of ensuring compliance with the obligations imposed under the Directive. In this context the Netherlands emphasizes the importance of the penalties as described in Article 16 (3) and (4). Based on these paragraphs, the designated administrative or judicial authorities in each Member State can apply these penalties to enforce compliance with the provisions. In its

opinions, the administrative or judicial authorities responsible for the day-to-day enforcement of the Directive' provisions, and in particular for imposing penalties as described in Article 16(3) and (4), may to a certain extent take account of the circumstances of each individual case, for example in terms of the amount of the penalty to be imposed.

Communication from the commission to the European Parliament pursuant to the second subparagraph of Article 251(2) of the EC Treaty concerning the Common Position of the Council on the adoption of a Directive of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC, Brussels, 25.3.2003 SEC (2003) 364 final 2001/0245 (COD)

1. The Council reached unanimous political agreement on a Common Position on 9 December 2002. The Council adopted the Common Position formally on 18 March 2003.

Commission comments:

1. The Commission accepted totally, in part or in principle 18 of the 73 amendments proposed by the European Parliament in the first reading and consequently amended its Proposal (COM(2002)680). All these amendments have been incorporated in the Common Position, which the Council agreed upon unanimously on 9 December 2002, using identical or similar wording. In addition, the Common Position includes five amendments not accepted by the Commission in its amended proposal.
2. The Commission accepted many of the Parliament's amendments that increased transparency, and full reasoning in respect of each amendment is given in sections 3.1 and 3.2 of the amended Proposal (COM(2002)680).
3. The Commission welcomes the adoption of the Common Position on 18 March 2003 as likely to accelerate adoption of the proposal whose principal aims are safeguarded in the Common Position, and thus supports the Common Position as it stands.
4. The Commission therefore supports the Common Position adopted on the 18 March 2003.

Opinion of the Commission pursuant to Article 251(2), third subparagraph, point (c) of the EC Treaty, on the European Parliament's amendments to the Council's common position regarding the proposal for a Directive of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC, Brussels, 18.07.2003 COM(2003) 463 final/2001/0245 (COD)

1. Commission opinion on the Parliament's Amendments

The Commission can accept the European Parliament's seventeen amendments in full. It considers that the principal aims of the EC emissions trading scheme are safeguarded by the compromise package that these amendments constitute.

175th Resolution of the Senate on the Report from the Commission to the European Parliament and the Council-the state of the European carbon market in 2012/ Senate Press no. K 010/09/

National Parliament-- The Senate of the Parliament of the Czech Republic

The Senate expressed concern about threatening competitiveness of EU by adopting too ambitious commitments and emphasized the importance of promoting investment in developing new technologies that will be crucial to the future emissions reduction.

The Senate recommends the **European Commission** to conduct a thorough analysis of the functionality and effectiveness of the EU ETS and simultaneously initiate a serious debate on alternative ways to reduce emissions of greenhouse gases.

127th Resolution of the Senate on the Report from the Commission to the European Parliament and the Council—Report on the functioning of the European carbon market/ Senate Print No. K 010/12, COM (2018) 842/

The Senate is aware that anthropogenic emissions of greenhouse gases are one of the factors affecting climate changes and therefore believes that the reduction of emissions of any harmful substances including greenhouse gases is essential for the sustainability of life on Earth,

The Senate requests the Government to inform the Senate about the way this resolution was taken into account.