Technical Workshop on the EU Emissions Trading System

WELCOME

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The RIPAP support activities and workshop introduction

Dian Phylipsen

Technical workshop
Ankara, Turkey, 06.11.2018.

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The RIPAP

- RIPAP - Regional Implementation of Paris Agreement Project
- Supporting Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Kosovo*, Montenegro, Serbia, and Turkey
- Support capacity building for:
  - Implementing the Paris Agreement
  - Low emissions development strategies
- Support regional cooperation through:
  - Exchange of information
  - Best practices
  - Experience
  - Awareness-raising on low emissions development

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Speakers

- Ms. Eliska BYSTRICKY – EU ETS expert
- Ms. Marta ROSŁANIEC - Polish National Centre for Emissions Management Kobize
- Mr. Pavel ZÁMYSLICKÝ, Czech Ministry of Environment
- RIPAP expert Ms. Dian PHYLIPSEN

But the most important speaker is YOU. Please join us in an active debate in the discussion groups and actively participate

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Emissions Trading: global use, pros and cons

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Why put a price on carbon emissions?

- Addressing one of the biggest threats to society: climate change
- But also addressing large current and upcoming economic risks

See next slides

- It helps avoiding further postponing of action >> more cost-effective in long term

How does it work?

- Emissions become a cost factor for emitters, like energy, material, labour, capital
- Including costs in investment decision-making leads to a shift towards cleaner technologies, products, services
- Incorporating costs into price of products and services makes cleaner alternatives more attractive for customers
- Reducing emissions (e.g. by good housekeeping and investing in energy efficiency) is rewarded

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Climate change is impacting Turkey already

Floods in Ankara (Left; June 2018) and Istanbul (Below; July 2018)

Prof. Dr. Veysel Eroğlu, Minister of Water Affairs and Forestry: "2017 was the driest year in the last 44 years"

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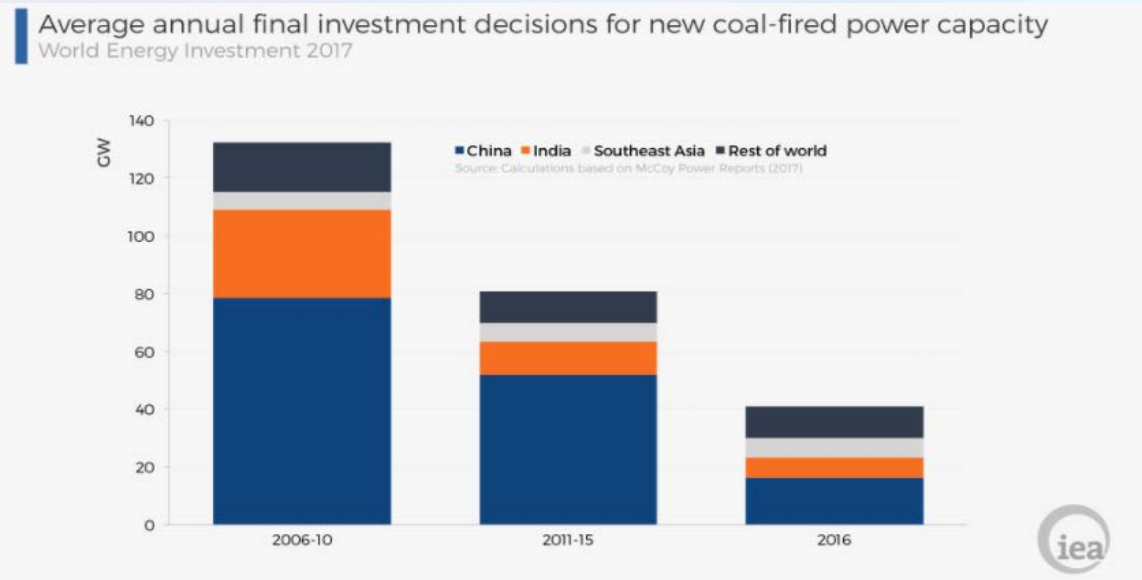
.. and is an economic risk

The cost of flash floods caused by heavy rains in the Black Sea province of Ordu is estimated to be at 165 million Liras ($27.1 million)
Enver Yılmaz, Mayor of Ordu, 14 August 2018

"Turkey is located in one of the most vulnerable regions on Earth, situated in a climate change hotspot" "Water and food security in a changing climate have become unprecedented challenges confronting Turkey and its future"
Istanbul Policy Center-Sabancı University-Stiftung Mercator Initiative



Allianz to stop selling insurance to coal companies
FINANCIAL TIMES

Coal-based power production is getting to be an increased risk. Investors are pulling out; so do insurance companies

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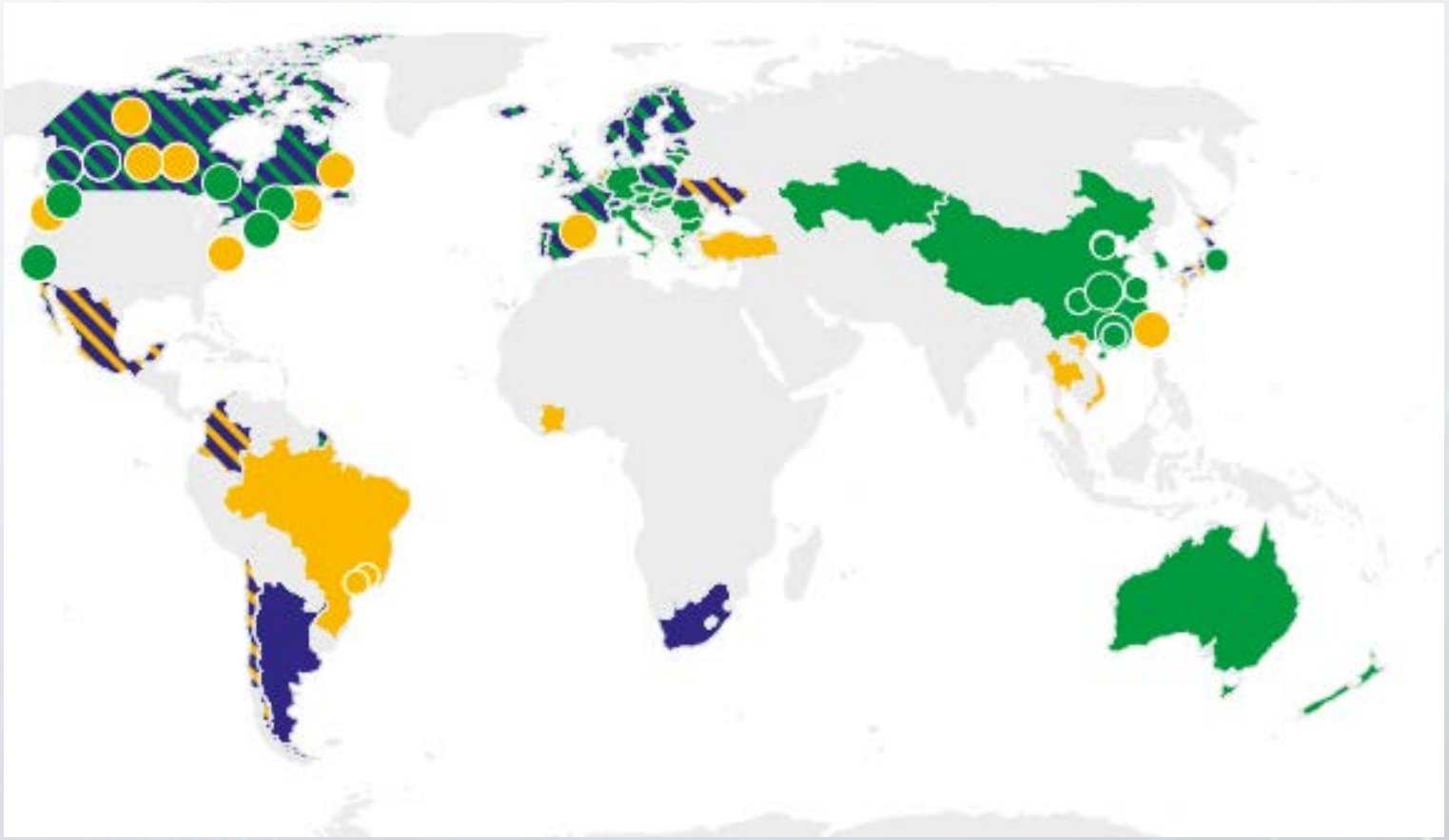
Carbon pricing world-wide



Source: WorldBank Carbon Pricing Dashboard

- ETS implemented or scheduled for implementation
- ETS and carbon tax implemented or scheduled
- Carbon tax implemented or scheduled for implementation
- ETS implemented or scheduled, tax under consideration
- ETS or carbon tax under consideration
- Carbon tax implemented or scheduled, ETS under considerati...

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Comparing carbon pricing instruments

	Emissions Trading	Carbon Taxation	Offset Crediting
Key design element	Cap on total emissions; mandatory participation; trade allowed to increase efficiency	Tax on GHG emissions; mandatory participation; actors pay in relation to amount of emissions	Project-based reductions, often voluntary; Investing in cheaper reductions elsewhere to meet own reduction targets
Incentive to reduce emissions	Increased costs of emissions; opportunity to trade	Increased costs of emissions	Additional revenues through trade
GHG reduction certainty	Total reduction known in advance	Total reduction uncertain	Total reduction uncertain
Price of reduction	Uncertain; price control measures can be added to lower price volatility	Certain; price is set	Uncertain; based on individual project agreements

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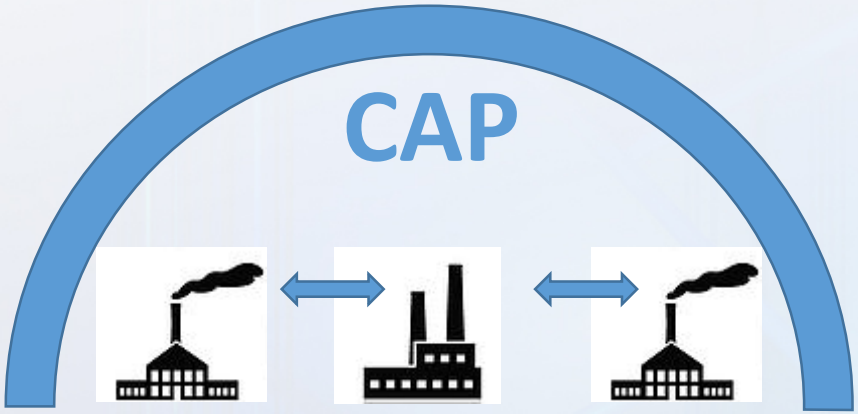
What is ETS?

What is the EU-ETS?



Cap & Trade

- Total emissions in the system are capped
- Flexibility on where reductions take place
- Allows individual companies to choose: abate or trade

- Operates in 31 countries (EU-28 + IS + LI + NO)
- Covers more than 11,000 installations and more than 500 aircraft operators
- Targets CO_2 emissions from power and heat generation, energy-intensive industry and commercial aviation
- Plus N_2O emissions from production of nitric, adipic, glyoxal and glyoxlic acids
- And PFC emissions from aluminium prod.
- Covers ± 45% of the EU's GHG emissions
- Target 2020: - 21% (compared to 2005)
- Target 2030: -43% (compared to 2005)

>> More details in following presentation

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Why is EU ETS important for the EU?

- For **environmental reasons**:
  - Guaranteed environmental outcome – due to the cap
  - Flagship of EU's approach to achieve its emission reduction objectives
- For **economic reasons**:
  - Achieving smooth transition to a low carbon economy: price signal
  - Stable and predictable regulatory framework for businesses
  - Liquid market, between 20-40 million metric tonnes of CO2e traded each day
- For **political reasons**:
  - Experience in the EU ETS informs and influences new or emerging systems (Canada, China, Japan, New Zealand, South Korea, Switzerland and the United States)
  - Impacted the fuel mix of energy production, especially in electricity
  - Therewith resulted in a negative cash flow of fossil fuelled plants
  - Strongly reduced energy intensity in EU-28 while GDP continued to grow => decarbonisation of EU-28 economy

Slide courtesy of EC, DG Climate Action

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Key lessons learned from EU ETS

- Step-wise implementation helps to learn, allow for improvement over time and address stakeholder concerns
- Good quality data is needed to limit over allocation and solid MRV is needed to ensure trust in the market
- Design needs flexibility to adapt to external circumstances and unintended impacts
  - E.g. unforeseen impact of economic crisis leading to oversupply
  - Change of leading allocation mechanism to auctioning
  - A volume-based system requires some price stabilising elements
  - Flexibility in target setting is needed to address strengthened international agreements (Paris Agreement)
- Decoupling GHG emissions from economic growth is possible
- International cooperation is needed to scale up ambition and achievements

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