



TECHNICAL ASSISTANCE TOWARDS THE IMPLEMENTATION OF THE NEW PARIS CLIMATE AGREEMENT



**EDITION N:4**

# **ETS**

## **Newsletter**



The project is funded by the European Union

This newsletter contains a selection of news items and capacity building activities on the topic of emissions trading, with a focus on the EU Emissions Trading System.

The newsletter is provided in the framework of and with assistance from the European Union in the framework of the “Technical Assistance towards the Implementation of the New Paris Climate Agreement”.

The contents of the publication are the sole responsibility of the Consortium implementing the project and can in no way be taken to reflect the views of the European Union.

# The RIPAP

The Regional Implementation of Paris Agreement Project (RIPAP) aims to support beneficiary countries in the Western Balkan and Turkey with the implementation of the Paris Agreement.

The project will run from August 2017 until November 2018. Work is supported by DG Climate Action and DG NEAR. The beneficiary states are:

- Albania
- Bosnia and Herzegovina
- Kosovo\*
- The former Yugoslav Republic of Macedonia
- Montenegro
- Serbia
- Turkey.

The two main purposes of the project are:

1. To support the beneficiaries to build their capacity for the implementation of the 2015 Paris Agreement and low emissions development strategies and
2. To support regional cooperation through the exchange of information, best practices, experience and awareness-raising between IPA beneficiaries.

The project contains 3 main components:

1. Awareness of relevant staff working in the beneficiary countries on the outcomes and provisions of Paris Agreement improved.
2. Upgrades of national GHG monitoring and reporting practices supported.
3. Strengthening the monitoring, reporting, accreditation and verification (MRV) requirements targeted at: operators, authorities and verifies under the EU ETS.

Each of the components will organise various capacity building activities, ranging from high-level political meetings to organisation of technical workshops and from knowledge exchange via an online portal to issuing of newsletters. This fourth edition of the ETS newsletter is a deliverable in *Component 3*.

\* This designation is without prejudice to positions on status, and it is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence

# Regional ETS developments

## Technical workshop on EU ETS in FYROM



On 4 July 2018 the RIPAP organised a regional technical workshop on the EU Emissions Trading System and the wider regulatory climate framework.

The workshop had two pillars:

1. Developments and lessons learned on climate change legislation and action plans.
2. Lessons learned from implementing the EU ETS.

In part 1 the audience learned on the planned development of a climate change law in FYROM and from lessons learned from recent project to develop such law and action plan in Albania and Serbia. Part 2 provided in-depth understanding on the requirements, impacts and opportunities arising from the EU ETS. This included practical details on how the government and industry can prepare for implementation of ETS.

The training programme and presentations are available on: <https://bit.ly/2yRMTbu>

## Draft Climate Law Montenegro

The Ministry of Sustainable Development and Tourism of Montenegro has developed a draft Climate Law that aims to ensure harmonisation of the national legislation with the acquis on climate. The Law provides the basis for ETS implementation in Montenegro and regulates the functioning of the national emission monitoring system.



## ETS implementation and planned ETS training in Turkey



Turkey has actively worked on preparing for implementation of carbon pricing for the last five years. After extensive analysis and consultation they have built up extensive expertise on ETS, both with public and private stakeholders.

The RIPAP beneficiary from Turkey has requested organisation of a technical workshop on ETS design aspects and impacts, allowing for in-depth discussion with various stakeholders. The workshop will be organised on 6 November in Ankara.

More information is available on <https://bit.ly/2EldIVR>



# EU ETS developments

## Steep price increase in EU ETS

Prices in the EU ETS have strongly increased over the last months following political agreement on the system's architecture for phase 4 (2021-2030). In August 2018 EU allowance prices for the first time in ten years passed the level of €20 per tonne.

Anticipation of the operation of the Market Stability Reserve from 2019 is assumed to be the main factor driving these price increases. Rules for the Market Stability Reserve have been considerably strengthened in the most recent ETS reform and will effectively tackle the surplus of allowances on the market that has depressed the carbon price signal in recent years.

The Directive is available at: <https://bit.ly/2K2TqVB>



## Implementing phase IV of the EU ETS



In preparation for phase IV of the EU ETS the European Commission is working on the implementation of the revised provisions of the EU ETS Directive. Several rounds of consultations with Member States and other stakeholders were held on among others the amendment of the registry regulation, the update of the monitoring and reporting regulation (MRR) and the accreditation and verification regulation (AVR). In addition the free allocation rules (FARs) for 2021-2030 are being revised. Work on all implementing legislation for phase 4 should be completed by January 2021.

More information is available on <https://bit.ly/2HFCczh> and on <https://bit.ly/2G0C5u2>

## EU-California strengthen cooperation carbon markets

At the 2018 GCAS (see details later in this newsletter) the EU and California agreed to strengthen bilateral cooperation on carbon markets. Both parties committed to stepping up the frequency of exchanges, including on principles for alignment and the role of carbon pricing in:

- sending investment signals for transformative technologies;
- addressing economic competitiveness; and
- maximizing public benefits of use of programme revenues.

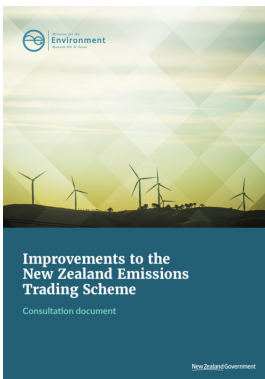
Parties also agreed to review, assess, and report on progress in these exchanges in twelve months.

In addition the EU and California confirmed their view that greater alignment of carbon markets is in the interests of both and emphasized the need to engage other jurisdictions active in carbon pricing to foster broader dialogue through the "Florence Process".



# Global ETS developments

## Reform New Zealand ETS



On 21 September 2018 the New Zealand government closed the consultation on its proposed Emissions Trading Reforms. The reforms, planned to be integrated into law by 2019, include:

- Introducing an annual process to define the maximum of allowances to be issued in the following five years;
- Introducing auctioning of allowances as the leading allocation mechanism;
- Replace the current fixed price ceiling of NZ\$25 with a cost containment reserve that sets a price ceiling that may increase over time;
- Limiting the amount of international units that may be used for compliance in the future;
- Reducing the share of free allowances to industry;
- Proposals to improve compliance and enforcement.

The consultation document is available at: <https://bit.ly/2P8lkk7>

## Proposed amendments to the California cap-and-trade program

On 4 September 2018 California's Air Resources Board (ARB) released draft amendments for its cap-and-trade program, including among others:

- Extending the program to 2030;
- Introducing a price ceiling of USD 65/ tonne in 2021;
- Amending the offset rules to ensure half of offsets used have direct environmental benefits to the State of California.
- Regulating the delinking with Ontario, as this region decided to end its cap-and-trade program.



The draft amendments are available at: <https://bit.ly/2zPcQu4>

## ICAO adopts MRV rules for aviation



MRV rules for aviation

In June 2018 ICAO adopted monitoring, reporting and verification rules for its CORSIA global offsetting system. These rules are called the SARPs: the Standards and Recommended Practices. CORSIA requires airlines to calculate annually the emissions from their flights and buy carbon offsets equivalent to any increase over a baseline of 2019-2020 average emissions. In addition to adoption of the SARPs the

ICAO Council also adopted a simplified reporting tool for small emitters and the rules for the CORSIA Central Registry. The European Commission is actively preparing updates of its regulation and templates to ensure maximum consistency of reporting under CORSIA and the EU ETS.

More information is available at: <https://bit.ly/2KdJdcE> and at: <https://bit.ly/2Qr9Eu2>

# Events, conferences, reports

## Carbon pricing delivering Climate Ambition



On 11 September 2018 the European Commission, the State of California, and the Government of Canada, jointly organized with IETA's Carbon Forum North America a special event to highlight current and planned carbon pricing activities and how these support meeting climate goals.

The event was organised as an affiliate event of the Global Climate Action Summit (GCAS). Information on the GCAS and the affiliate event is available at: <https://bit.ly/2Biaq8N>

## One Planet Summit 2018

On 26 September the second One Planet Summit was organised in New York City. At the first Summit in 2017 the One Planet coalition One Planet coalition came together to put forward concrete initiatives to meet the shared objectives set by the Paris Agreement on climate. At this second summit the coalition reconvened to report on the progress made on each of these twelve commitments.

The detailed review presented among others includes reports on projects and other activities initiated under each commitment, the funds allocated to each initiative and the amount of parties involved or targeted to be reached.



More information on the One Planet Summit and the review of commitments is available at: <https://bit.ly/2HNQAmJ>

## OECD report Effective Carbon Rates 2018



On 18 September the OECD published its report Effective Carbon Rates 2018: Pricing Carbon Emissions Through Taxes and Emissions Trading. The report measures carbon pricing of CO<sub>2</sub>-emissions from energy use in 42 countries, covering 80% of world emissions. The analysis includes taxes on energy use, carbon taxes and ETS prices.

The report also identifies the 'carbon pricing gap', a measure that indicates how far short of pricing emissions compared to short-term and medium term estimates of the levels needed for decarbonisation.

The report is available at: <https://bit.ly/2Ng6KXa>





## Contacts

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