

# **Scheme for greenhouse gas emission allowance trading within the Community, in respect of the Kyoto Protocol's project mechanisms**

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The committee adopted the report by Alexander DE ROO (Greens/EFA, NL) amending the proposal under the 1st reading of the codecision procedure: - the committee wanted each Member State to be responsible for laying down limits, in its own national allocation plan, on the use of flexible mechanisms. Each operator must therefore comply with these limits when surrendering allowances. This would ensure compliance with the supplementarity principle which Parliament had managed to insert in the 2003 Emissions Trading Directive (i.e. that the Kyoto mechanisms can only be supplemental to domestic efforts, and at least 50% of the reductions in greenhouse gases must take place domestically and at most 50% outside the EU); - the credits for CDM projects should be allowed to start as from 1 January 2005 rather than 1 January 2008, to encourage industry to take up these possibilities as soon as possible; - MEPs deleted the provisions in the Commission proposal on a trigger mechanism for monitoring the development of the CDM and JI projects. According to this proposal, once the number of CERs and ERUs from project activities converted for use in the Community scheme reached 6% of the allowances allocated, the Commission would undertake an immediate review, with the possibility of introducing a ceiling of 8%. MEPs argued that it was better to introduce a yearly monitoring of this developing market and also that the proposed cap set at 8% would create a problem for the "supplementarity" rule. The committee therefore amended the article entitled "Review and further development" by specifying that the 50% at home and 50% abroad rule must be adhered to. Member States should report annually to the Commission on intended and actual use and the conversion of the credits, and these reports should in turn form the basis for the Commission's own annual progress report. If necessary, the Commission should submit proposals "to ensure that the use of the mechanisms is supplemental to domestic actions"; - the committee added a new clause excluding large hydro-electricity projects from the flexible mechanisms, as such projects often have a devastating social or environmental impact. However, it would allow credits from hydro-electric projects involving installations generating under 10MW which comply with the criteria laid down in the year 2000 report of the World Commission on Dams; - lastly, MEPs adopted an amendment allowing regional trading schemes in countries that have not yet ratified the Kyoto Protocol to be linked to the European emissions trading scheme. The amendment aims to offer political support to some provinces in Australia and a number of States in the US which want to introduce absolute caps on their greenhouse gas emissions, even though their governments have for the time being refused to sign up to Kyoto.