

Scheme for greenhouse gas emission allowance trading within the Community. EU Emissions Trading System (EU ETS) Directive

2001/0245(COD) - 29/11/2006 - Follow-up document

This Commission communication concerns the assessment of national allocation plans for the allocation of greenhouse gas emission allowances in the second period of the EU Emissions Trading Scheme accompanying Commission Decisions of 29 November 2006 on the national allocation plans of Germany, Greece, Ireland, Latvia, Lithuania, Luxembourg, Malta, Slovakia, Sweden and the United Kingdom in accordance with Directive 2003/87/EC.

This Communication sets out the Commission's approach to the assessment of second period plans and is accompanied by a first package of decisions addressed to 10 Member States.

For each trading period, each Member State is obliged to notify a national allocation plan to the Commission. The Directive requires the Commission to assess each plan according to the same criteria set out in Annex III to and Article 10 of the Directive. The Commission adopts a separate decision within three months of a complete plan being notified.

By 29 November 2006, 19 Member States had notified a national allocation plan to the Commission. Of these, 10 were sufficiently complete to allow the Commission to take a decision on their compatibility with the Directive. These plans represent about half of the overall quantity of allowances allocated in the first trading period.

On 12 October 2006, the Commission launched infringement proceedings on all outstanding plans. It will continue to exert legal pressure so as to ensure that outstanding plans are notified as soon as possible. The Commission has placed particular emphasis on assessing the second period plans in a consistent, fair and transparent manner. In so doing, the Commission has identified several issues that have been scrutinised in detail for compatibility with the Annex III criteria. These fall under the following main headings:

- setting a cap consistent with each Member State's Kyoto Protocol commitment, emissions development and reduction potential;
- ex-post adjustments;
- consistency with supplementarity obligations (Joint Implementation/Clean Development Mechanism project credit limit);
- other issues specific to individual plans with a view to avoiding undue distortions of competition and of the internal market.

The Commission states that a successful EU ETS is of vital importance to sustaining the EU's credibility in relation to the post-2012 climate regime. At the same time greater use of the EU ETS is crucial to respecting the EU's Kyoto commitments during the period 2008 to 2012. A number of national allocation plans proposed to the Commission would not only endanger the achievement of Europe's Kyoto commitments, but would at the same time create undue distortions in the internal market.

With the objective and transparent assessment of the second period plans, as presented in this Communication, the Commission is safeguarding the achievement of the Kyoto commitments and a successful and growing carbon market into the future.