



DRAFT Press Release

For immediate release 14th October 2010

Clearer policy direction in uncapped sectors needed to help EU meet 30% target

As Environment Ministers meet in Luxembourg today the issue of whether the EU should take on more challenging climate targets will be high on the agenda. A new report issued by campaign group Sandbag today calls on the EU to focus more attention on how to achieve emissions savings in the uncapped sectors and recommends exploring use of the already operational trading mechanisms.

The EU has already legally capped half of its carbon dioxide emissions and so meeting higher targets in these sectors would be very easy to achieve by simply tightening the caps. The remaining uncapped sectors (mainly transport and commercial and household heat) lack a similarly efficient and effective policy to drive down emissions. Sandbag recommends the EU explore the use of traded mechanisms in these sectors.

There is already potential to use the market to generate savings in these sectors via the little known Kyoto mechanism called Joint Implementation (JI). This mechanism allows 'baseline and credit' projects in capped countries to generate credits, known as emission reduction units (ERUs), for use in other capped countries. These credits can be used in place of EUA permits, up to a proscribed limit, within the cap and trade ETS and are therefore an alternate form of 'offsetting' to the better known CDM.

Sandbag's new report and map show for the first time how this mechanism is already being used in Europe to meet targets in the cap and trade scheme. In 2009 3.2 million ERUs were used for compliance in the EU emissions trading scheme, 36% of these credits originated in projects in the EU. A notable example shows how the chemical company Rhodia is generating ERUs in two of its French installations, not covered by the ETS, to be used to meet its ETS emissions reduction targets in another of its French installations. This is the clearest example yet that a market mechanism such as JI is already playing a role in reducing emissions in the uncapped sectors.

Other key findings include:

1. Both France and Germany surrendered ERUs originating in their respective countries.
2. The Ukraine originated 73% of all ERUs surrendered in 2009, followed by Germany and France originating 17% and 5% respectively.
3. 24% of all ERUs surrendered in 2009 were credits from district heating projects, followed by N20 credits with 22% and utilization of coal mine methane with 21%.
4. Finland has introduced a model of JI which incentivised Finnish companies to sell ERUs into the ETS market but also held some credits back to help it to generate AAUs for the country's Kyoto compliance.

Commenting on today's meeting Rob Elsworth, Sandbag's Policy Officer said,

"There appears to be quite a bit of resistance to higher targets based on concerns that targets in uncapped sectors will be hard to meet. The EU needs to address this by establishing which policy instruments can most appropriately reduce emissions in uncapped sectors. In doing this they should not dismiss the already functioning market mechanisms. Offsetting through the CDM is currently sending large sums of money to competing industries in India and China but, as our report shows, it is also possible to use offsetting through Joint Implementation to generate savings at home in uncapped sectors."

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1. Sandbag Climate Campaigning is a Not for profit NGO focusing on emissions trading and the carbon market. Our full report on the ETS available here:
http://sandbag.org.uk/files/sandbag.org.uk/Sandbag_2010-10_ERWho.pdf
2. A new interactive map of where JI offset credits are being used and originated from is available here: <http://sandbag.org.uk/maps/jimap>
3. Joint implementation is one of the three mechanisms of the Kyoto Protocol. For more information please go to: <http://ji.unfccc.int/index.html>
4. All figures are based on data taken from the publically available EU Community Independent Transaction Log (CITL) <http://ec.europa.eu/environment/ets/> and UNFCCC websites <http://ji.unfccc.int>