

Briefing: Fresh concerns over the transparency of the EU emissions trading scheme (ETS)

NGOs welcome the European Commission's moves to increase the security of the EU ETS. Bolstering security measures to ensure an effective trading system is of paramount importance.

Increased security measures, however, should not come at the detriment of transparency and accountability. Fresh fears have been triggered by the release of the European Commission's draft proposal for 'establishing a Union Registry'¹ for the ETS which was presented on 5th May and proposes that "*All information, including the holdings of all accounts, all transactions made and the serial numbers of the allowances or Kyoto units held or affected by a transaction, held in the EUTL and the Union Registry shall be considered confidential.*"²

Under the current system, there is public access to a wealth of information and data on installations, their emissions, allocations and use of Kyoto units. Maintaining open access to the operator holding accounts³ and installation data is extremely important to ensure the integrity of the scheme. It has also proved invaluable to the work of NGOs in monitoring the scheme, clarifying how it is working as well as highlighting major irregularities. The role of market participants in furthering the reliability, functionality and successful implementation of the EU ETS cannot be underestimated.

NGOs have grave concerns with the draft's suggestion of hiding serial numbers of European allowances and Kyoto units. There seems to be a genuine misunderstanding as to how removing serial numbers will bolster security in the system. Serial numbers are a basic feature of electronic certificates, and there is a fear that removing them will reduce traceability and confidence in the system.

Particular concern is reserved for the removal of serial numbers from Kyoto units. The use of Kyoto units for compliance in the EU ETS has attracted considerable attention over the past year as EU Member States approved a ban on industrial gas (HFC and N₂O) carbon credits for use within the EU ETS.

The removal of serial numbers would result in a lack of traceability that would present serious obstacles in ensuring that banned Kyoto units are not being used for compliance under the EU ETS. The future eligibility of Kyoto units will depend on the date of issuance. This information is currently only available via the serial number. Removing the serial number would make it impossible to verify if a Kyoto unit is eligible for use in the EU ETS. With a ban on industrial gases in place, we see a potential for future quality restrictions that would result in further differentiation of Kyoto units. Instead of hiding serial numbers NGOs are therefore keen to see more transparency which would enable progressive companies to choose credits from those projects which have the highest sustainable development impact for the host country, and avoid credits which act as a direct subsidy for European industry's international rivals.

A practical application of the value of Kyoto units' serial numbers can be seen in Sandbag's 'CER search tool'⁴ pictured below. Based on the serial number, this tool allows the website's visitors to retrieve information relating to certified emissions reductions (CER) including the date of issuance which will determine credits eligibility for use in the EU ETS.

¹ http://ec.europa.eu/clima/documentation/ets/docs/registries/regulation_amendments_en.pdf

² 'Article 83' - http://ec.europa.eu/clima/documentation/ets/docs/registries/regulation_amendments_en.pdf

³ CITL, <http://ec.europa.eu/environment/ets/oha.do>

⁴ <http://www.sandbag.org.uk/cer>


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CER # HN-5-542-1-1-0-9

Project title: **La Esperanza Hydroelectric Project**

Project type: Small Hydro



Hydro power refers the harnessing of energy through the interception of water flows. Small hydro projects are classified as those projects which generate less than 20MW of power.

Project registered: Aug. 19, 2005

Issuance information:

Issuance date: Oct. 20, 2005
 Monitoring period: June 1, 2003 - May 31, 2005
 CERs requested: 2,210
 Serial block: HN-5-1-1-1-0-9 to HN-5-2210-1-1-0-9

Surrender information:

This CER was surrendered by **Eggborough Power Station**
 Compliance year: 2009
 Number of CERs surrendered from this issuance by this installation: **38**

Compliance data:

 Eligible for use in EU ETS

Additional information/data:

Overall, 231 CERs (10.0% of the total produced in this issuance) have been surrendered to meet EU ETS obligations.



Access to installation information and data on allowances and Kyoto unit usage has ensured an essential level of accountability of carbon credits and is key for a minimum level of transparency in the carbon market. Therefore, NGOs urge Member States to:

- Resist any moves that would have detrimental effects on the transparency of the EU ETS.
- Ensure the serial numbers of Kyoto units are available to market participants to ensure the ban on industrial gas credits can be upheld effectively.

Yours Sincerely,

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