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# Use the ETS Tools – Reduce Now

By Ruta Bubniene and Matthias Duwe, CAN-Europe

It is crunch time for EU climate policy. The Kyoto Protocol's first five-year commitment period begins in less than two years and arrangements on how to meet emissions targets are entering a decisive phase. How will the EU comply with its commitments?

Reducing emissions is the straight-forward option. Over the last six years, the EU has developed a catalogue of measures under the European Climate Change Program (ECCP) as a framework for action to reduce output of harmful greenhouse gases (GHG). The ECCP has produced legislation to support renewable sources of energy, conserve energy through better efficiency and stop industrial pollution. Unfortunately, data until 2003 do not show sufficient progress – a number of EU15 Member States are still far from reaching their emissions targets.

The most prominent of the current set of Kyoto-based policies is the Emissions Trading Scheme (ETS) for large point sources of carbon dioxide. However, GHG reductions since this scheme started operation in 2005 have been disappointingly small. The scheme's potential is clearly not being utilised towards achieving national targets.

If EU countries exceed their Kyoto emissions ceilings between 2008 and 2012, they need to make up the shortfall with credits bought from other countries and development projects. This effectively will utilise taxpayers' money to fund their failure in cutting emissions. A number of Member States are already engaged in procuring such Kyoto currency. While recipient countries would welcome EU money, a lack of credible effort on reducing GHG emissions at home could embarrass EU leaders internationally.

During the first half of this year the European Commission has been organising a review of the ECCP to identify where and how Member States need to do better in reducing emissions. At the same time, Member States are preparing their National Allocation Plans (NAPs) for the Kyoto phase of the EU ETS starting in 2008.

Given these developments, 2006 is the year in which EU policy makers must seize the opportunity to make domestic emissions reductions. The tools are already there: the ECCP's policies, primarily the EU ETS, can

do the job if the political will is there to show that all the talk on climate change was not just hot air.

The NAPs for 2008 to 2012 will be the main tool to demonstrate this commitment. In addition to setting a maximum level for emissions from heavy industries, Member States also need to justify this limit in relation to emissions from all other sectors of the economy. In essence, the NAPs are Kyoto Implementation Plans.

The NAPs are due for submission to the European Commission by July 1, 2006. Last time round, many countries were late; Italy and Greece went over the deadline by almost a year. Such long delays are no longer acceptable.

Other deficiencies of the first NAPs included the lack of public participation and transparency of the national processes, and industry representatives often being granted privileged access to the process. Further, underlying data and projections were not subject to public scrutiny. Such clandestine operations are also no longer acceptable for the phase covering 2008 to 2012.

In January 2006 the European Commission published a Communication guiding the design of NAPs. While it provides for improvements in the transparency of NAPs and requires that more stringent targets be set, still, the required cuts are too small.

Initial data from the trading year 2005 should become available to the public soon, even though many Member States and companies are struggling to meet the requirements for emissions verification. These real emissions figures will show the extent to which government officials may have been fooled by plant operators into handing out more than the necessary amounts of free emissions allowances – now worth over 20€ a piece.

If industry leverage on the forthcoming plans is as strong as in the first period, the outcome of NAP processes could ridicule the EU's high international reputation as a climate change leader. The ECCP review and the new NAPs provide an opportunity to the EU to live up to its international commitments and make use of the emissions reduction instruments it has developed.

# No Sinks in the EU ETS

By Kirsten Macey, Policy Officer, CAN-Europe

Non-governmental organisations believe that climate action must be driven by the aim of keeping global warming as far below two degrees Celsius as possible, in order to prevent dangerous anthropogenic interference with the climate system. When looking at this serious challenge ahead, it is necessary to reduce industrial emissions rather than delay action by using forests (sometimes called sinks) to offset greenhouse gas (GHG) emissions in the EU emissions trading scheme (ETS).

Governments must continue to exclude sinks projects from the EU ETS for the following reasons:

- Accounting for sinks allows for higher fossil fuel emissions. In order to reach safe climate levels, emissions from industrial sources need to be dramatically reduced over the coming decade.
- There continues to be an unquantifiable risk that sinks could turn to sources at some point and destroy the mitigation effort that they had.
- The maximum sequestration rate for forests is most likely to be obtained by planting fast-growing trees of the same type i.e. plantations – high biodiversity values cannot be gained from plantations.
- Liability for re-emissions rests with governments and could mean costs for compliance will be more expensive in the future.
- It continues to be difficult and expensive to estimate the uptake of storage of carbon by biological sinks with any degree of accuracy, and without expensive and extensive monitoring.

## Science on Sinks

A number of recent studies have found that forests and soils are not contributing as much GHG removals as previously thought:

- A study in Switzerland over four years on mature trees subject to elevated carbon dioxide did not provide support for the hypothesis of increased carbon dioxide storage in the tree biomass (Korner C, et al. (2005) in *Science*: 309 (5739):1360-1362).
- A study on European tree species found that the effects of increased carbon dioxide led to a decline in the sequestration of carbon in the soil (Heath J, et al (2005) in *Science*: 309 (5741):1711-1713).

## EU ETS

In the Kyoto negotiations the EU argued against the inclusion of sinks in the Clean Development Mechanism (CDM) on the grounds of scientific uncertainties and the lack of long-term contribution of sinks to avoiding dangerous climate change. The scientific arguments used by the EU continue to be valid and have been further substantiated by recent science. There is consequently no reason for the EU to abandon its position for the future of its trading system. **Sinks should be permanently excluded from the EU ETS.**

The key objectives of the EU ETS are to drive industrial emissions reductions to meet the EU Kyoto target, and to drive cleaner, more efficient technology. The core principle of the EU ETS is undertaking domestic action which will bring other advantages in terms of security of supply and local environmental improvements.

## Proposals to include sinks

Recently, there have been proposals to open the EU ETS to include sinks projects. However, these proposals do not address the number of problems associated with sinks projects mentioned here.

Including sinks projects in the EU ETS will only delay the action required to reduce the threat of climate change. All government policies must contribute to the prevention of dangerous climate change and in particular to limiting global warming through prioritising reductions of industrial GHG emissions.

## EU Policy Focus

A compromise on the **f-gas regulation** was agreed on January 31 by not including bans on major appliances where f-gases are stored such as refrigerators, foams and air-conditioners, and basing it on a dual-legal basis of the environment and internal market. The agreement allows countries like Austria and Denmark that have strict controls on f-gases to maintain them. Unfortunately the compromise has made it more difficult for other EU Member States to introduce controls on f-gases. The regulation faced heavy pressure from chemical producers that have not switched to alternatives. The agreement needs a final sign off by the Council and the Parliament after which the task of implementation will take place. This will require strict monitoring by the European Commission (EC) on how Member States contain these gases.

In December 2005 the EC approved a Communication setting out guidance for the design of **National Allocation Plans (NAPs)** for the second phase (2008-2012) of the EU Emissions Trading Scheme (ETS). It is clear that there will be significant improvements in the transparency of NAPs and more stringent targets. For Member States that struggle to meet their Kyoto target, the EC has set a requirement to reduce annual average carbon dioxide emissions in the EU ETS sector by six per cent (131 billion allowances per year) for the second phase, compared to the cap set for the first phase. This is insufficient considering the reductions necessary to reach Kyoto targets. (More on NAPs – Page 1)

After publication of the **Biomass Action Plan (BAP)** in early December 2005, the EC pushed ahead with the preparation of a separate Communication on a Biofuels Strategy. When published in early February it immediately topped the agenda of that month's Agriculture Council together with the BAP. The Parliament's Industry and Energy Committee is likely to prepare its own initiative report responding to both political documents. With the publication of both documents the EC seeks to steer the direction of the debate on the revision of a number of legislative proposals to take place towards the end of 2006, namely the Biofuels Directive and the Energy Crop Regime and the Fuel Quality Directive.

The Council and the European Parliament (EP) reached an agreement on the **Energy End-use Efficiency and Energy Services Directive** last December. The outcome however is deceiving as the EP agreed on having indicative targets of one per cent per year for nine years. Member States once again opposed any mandatory element and commitment. NGOs must ensure that Member States prepare sound national Energy Efficiency Plans. In March the European Commission released its long awaited **Energy Green Paper**. It is a definite improvement compared to the first leaks that started emerging in December. Despite this, it is still weak. It does not propose 2020 targets on renewables and efficiency and the 2005 EU climate decisions are not mentioned. Its positive elements are the mention of the two degrees Celsius target and the general weight given to renewables and efficiency.

# Translating EU Development Policy into Programming Documents

Iola Leal Riesco, Development and Trade Campaigner, FERN

The failure of the EC's external actions to recognise the linkages that ecosystems' services bring to the poor and therefore to effectively tackle the challenge of poverty alleviation has been voiced constantly by civil society in Europe and in EU partner countries (see Hotspot 36).

At last, and after a year of intense discussions, the new EU development policy, adopted in November 2005, officially calls for more attention to be paid to sustainable use of natural resources in approaches to poverty reduction. Moreover it reinforces the participation of civil society and introduces key improvements in the human rights arena such as the obligation to mainstream the rights of indigenous peoples in EC aid documents and activities (see box).

Equally important is the Communication on Policy Coherence for Development, which rightly notes the need to ensure consistency between EU policies and outlines the close links between the environment and other challenges undermining sustainable development

such as poverty, the role of women, health, child mortality and school attendance.

But the real battle to make certain that these paper-based commitments are effectively implemented will be fought during 2006, when the European Commission, Parliament and Council will agree on geographic and thematic strategies for cooperation and will decide on the financial resources that will be allocated to the different areas during 2007-2013. During this period, projects tackling climate change issues will be funded through country and regional programmes and through the newly introduced thematic strategy for the Environment and Natural Resources.

Everything is now under discussion, even the legal framework which will underpin the thematic and geographic strategies for cooperation. It is hoped that the Commission ensures its new policy commitments translate successfully into programming documents, and does so in close cooperation with its North and South civil society partners.

## Indigenous Peoples, Climate Change and Development

The new EC development policy introduces for the first time the obligation to integrate indigenous peoples' rights in all areas of EC development cooperation.

This new requirement brings the EC development policy one step ahead of the climate change debate: the United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol do not recognise indigenous peoples' right to full and effective participation in debates and have constantly ignored their demands. For example, no consideration has been given to the strong opposition raised by indigenous peoples to the proposed solutions to mitigate climate change such as plantations, sinks and the carbon market. Indigenous peoples argue that these measures will likely result in a disrespect of their right to lands, territories, and self-determination. They further underline that Clean Development Mechanism (CDM) and sinks projects do not contribute to climate change mitigation and sustainable development.

Mainstreaming indigenous peoples' rights in development projects is essential to reach sustainable development, a target of both the EC development policy and UNFCCC. The main challenge ahead is to make this new objective a reality on the ground and to ensure that all EC development projects respect the fundamental rights of indigenous peoples to lands, waters, territories, self-determination and ensure their right to free, prior and informed consent. Unfortunately, the failure of the EC to even effectively mainstream environmental and gender issues into its policies and activities raises serious doubts as to whether the Commission will be able to reach this goal.

An interesting question crops up: assuming the European Commission gets serious about mainstreaming indigenous peoples' rights into their policies, must this not seriously challenge the current climate change policy and in particular the CDM?

## Network News

### Joint NGO Approach to Climate Change

Climate change is becoming an increasing problem for society; one that affects security, health, agriculture, nature and many other sectors. An effective strategy to reduce the risks of climate change includes both mitigation and adaptation.

In response, more than 40 Dutch nature, conservation, environment, development and humanitarian non-governmental organisations (NGOs) have joined together to develop a Joint Climate Change Programme. The coalition includes Oxfam, Red Cross Netherlands, UNICEF, PLAN, WWF and many other national and international NGOs.

All participating NGOs recognise that both mitigation and adaptation are essential elements of the necessary risk reduction strategy. The conviction that these two approaches reinforce each other is the heart of the strategy. The participating organisations consider climate change not only as a major threat, but also as an opportunity. The climate problem underlines the urgency of a whole range of themes important to the participating organisations. Climate protection demands resilient solutions for diverging problems like disaster risk reduction, water resource conflicts, coastal zone management, reforestation, energy efficiency improvement, renewable sources of energy, agriculture in arid and semi-arid zones, and the need for a network of robust, interconnected protected areas. For more information, go to <http://www.klimaatbureau.nl/>. To get involved, go to <http://www.hier.nu/>

## Hot Links

### Development Special

The Linking Climate Adaptation (LCA) Network, whose objective is to help communities, policy-makers, practitioners and academics share experiences and knowledge about adaptation to climate change. <http://www.linkingclimateadaptation.org/>

Countries' climate mitigation commitments under the "South-North Dialogue" Proposal – a quantitative analysis using the FAIR 2.1 world model <http://www.mnp.nl/en/publications/2005/>

Vulnerability and Adaptation to Climate Change in Europe (Technical report No 7/2005) [http://reports.eea.eu.int/technical\\_report\\_2005\\_1207\\_144937/en/tab\\_content\\_RLR](http://reports.eea.eu.int/technical_report_2005_1207_144937/en/tab_content_RLR)

Evangelical Climate Initiative <http://www.christiansandclimate.org/>

# Hotspot

Published by Climate Action Network (CAN) Europe, the European office of CAN – a global coalition of 365 environmental NGOs.

CAN-Europe promotes action to limit human-induced climate change to ecologically sustainable levels. It represents 95 organisations in 20 European countries including all EU Member States.

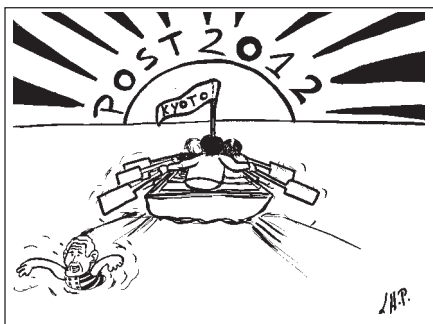
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## Hot Gossip



*"The tide for global commitments post-2012 is too strong, leaving non-supporters in its wake"*

## Hot Documents

### Impacts Special

Impacts of different climate stabilisation scenarios on plant species in Europe: Global Environmental Change, Vol. 16 (complimentary issue).

<http://www.sciencedirect.com/science/journal/09593780>

The impacts of Euro 5: facts and figures.  
<http://www.mnp.nl/en/publications/2006/>

Natural Hazards Review: In 2005, Guy Carpenter's Instrat(r) unit produced around 100 CAT-i reports covering catastrophic events. These and many other reports are listed in this summary.

<http://www.guycarp.com/portal/extranet/pdf/CAT-i/>

# Let the Post-2012 Games Begin

By Mahi Sideridou, EU Climate and Energy Policy Director, Greenpeace European Unit

Last year, the first meeting of the Parties to the Kyoto Protocol took place in Montreal. The first order of business was the adoption of the rulebook for Kyoto's implementation, of the "Marrakech Accords." After this historic gavel was heard, a set of closed-door discussions began. The outcome was the establishment of two processes with the momentous task of designing the path towards global action against climate change beyond 2012.

The first process is under the United Nations Framework Convention on Climate Change (UNFCCC) and is aptly called the "Dialogue on long-term co-operative action to address climate change."

The second process was agreed among the countries that have ratified Kyoto, hence excluding Australia and the US, and consequently sparing participants from the latter's theatrical walkouts and mentions of ducks that marked the parallel Convention discussions. The process for future commitments by developed countries for the second commitment period (2015) of the Kyoto Protocol has now started. The working group entrusted with this work will meet for the first time in May.

The post-2012 framework will be guided by the UNFCCC ultimate objective, to stop dangerous climate change. For the Climate Action Network (CAN) this means that global temperature rise should stay below two degrees Celsius over pre-industrial levels. The EU leaders endorsed this temperature limit for the first time in their Spring Summit last year. CAN urges the international community to follow the EU example and define two degrees as the threshold that should not be crossed. Legally binding greenhouse gas emission targets should be set with this objective in mind – for the EU this means a reduction by at least 30 per cent by 2020 and 80 per cent by 2050, compared to 1990 levels.

There is one critical component missing from the Montreal outcome – a deadline for finalising the post-2012 framework. The developed country commitments shall be decided "in time to ensure that there is no gap between the first and second commitment periods."

Deadlines are necessary to make sure that tasks are performed on time. I was given a deadline for completing this article. And certain tasks are clearly more important than others. Protecting billions of lives from a climate system spiralling out of control, the Amazon rainforest from collapsing and low lying coastal regions from total obliteration, to name but a few examples, are momentous tasks. The world deserves to rest assured that the speed of negotiations reflects the urgency of the problem and that, at a specific point in time, the negotiations will conclude and actions will commence.

An appropriate deadline should therefore be set. The negotiations should be completed at the latest by 2008. This end-date guarantees that the agreement will have sufficient time to enter into force and to have an effect by 2015, prompting the strengthening of existing policies and the design of new, longer-term ones. It will encourage investments in climate-friendly technologies and discourage unsustainable decisions.

As a matter of fact, during the Montreal negotiations, the group of developing countries pushed for a 2008 end-date for completing this agreement. Sadly, the EU and others opposed it.

The start of the post-2012 process is welcomed. Yet, if the world intends to design a proportionate response to climate change, it has to do so as a matter of urgency. Parties should not run the risk of endlessly discussing the growing storm, until it is too late to stop it from becoming catastrophic to humanity and the environment. They need to set themselves the right, tight, deadline.

## Diary 2006

IDS and Action Aid International's "Future climate adaptation challenges: Building capacity for African based research": March 25-28, Nairobi, Kenya

<http://www.eldis.org/climate/adaptation/index.htm>

Sessions of the Subsidiary Bodies: May 17- 26, Bonn, Germany

<http://unfccc.int/meetings/sb24/items/3648.php>

DG Environment's Green Week 2006:

May 30 - June 2, Brussels, Belgium

<http://europa.eu.int/comm/environment/greenweek/index.html>