



PRESS RELEASE – 20th April 2004

The Linking Directive: Member States must now tighten a weak European deal

With today's European Parliament Plenary acceptance of a compromise First Reading agreement on the so-called 'Linking Directive', environmental NGOs warned that the EU is undermining its own climate policy by failing to impose limits on the use of outside mechanisms in its emission trading system (ETS).

The EU's emission trading system, the flagship of its climate change policy, is rapidly becoming a farce. First, Member States are setting National Allocation Plans that give no incentive to their companies to make real emission cuts. Now, the European Parliament has agreed to link this feeble system to unlimited volumes of cheap credits from the Kyoto Protocol's project mechanisms – the Clean Development Mechanism and Joint Implementation – via a "Linking Directive", adopted today. Given that these mechanisms are expected to generate large volumes of very cheap credits, this may be the death-knell for domestic emission cuts among EU industry.

"The EU institutions have failed to protect EU climate policy at a critical time" says John Lanchbery of BirdLife International: "This will greatly reduce the chances of convincing developing countries and the US that Europe is serious about fighting climate change." NGOs were particularly disappointed that the Parliament did not take a stronger stance on this issue.

"Sinks" – credits for trapping carbon temporarily in plants – are excluded from the ETS, but this is to be reviewed as early as 2006. The problems with sinks – that they provide no permanent climate protection and are prone to a host of other social and environmental impacts – will not change between now and 2006. The Parliament should make clear that it will continue to oppose the inclusion of sinks credits in the ETS.

The Linking Directive states that hydropower projects greater than 20 MW capacity approved by Member States must "respect" the criteria and guidelines of the World Commission on Dams (WCD) if credits from these projects are to enter the ETS. While it is positive that the EU has recognized the negative social and environmental impacts of hydropower and the importance of applying the WCD's recommendations, environmentalists had urged the EU to exclude credits from large hydro (>10 MW) and to ensure that credits from small hydro could only enter the ETS if the projects complied with the WCD. "Governments and companies must now make clear that they will apply the highest standards to hydroelectric projects," says Mahi Sideridou of Greenpeace.

If the EU's climate policy is to retain any credibility at all, urgent action must be taken at Member State level. Member States should agree to a strict and harmonised cap on the use of Kyoto project credits. Most important of all, the National Allocation Plans must be tightened dramatically. "The EU has positioned itself as a world leader on fighting climate change, and is in danger of throwing it all away" says Rob Bradley of CAN Europe. "If it is ridiculed for its international climate policy, it only has itself to blame."

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