



Brussels, 12 July 2000

**SUMMARY RECORD OF MEETING:
ECCP WORKING GROUP 1
4 JULY 2000**

Present: see list attached (as Annex 1)

Chaired by Mr Jos DELBEKE, Head of Unit DG ENV.A.2

1. Opening

The Chairman welcomed participants, introduced himself and Mr Brian McLEAN, Director of the Clean Air Markets Division at the US Environmental Protection Agency. Participants all introduced themselves. During the morning Mr McLEAN made a presentation of the sulphur dioxide and nitrous oxide emissions trading schemes that were now operating within the US. The development and performance of these schemes was explained. A question and answer session took place. The slides were distributed on paper, and additional paper copies can be obtained by contacting the Secretary.

2. Adoption of agenda

The draft agenda was adopted.

3. Exchange of views on the morning's presentation by Mr McLEAN

There was clearly particular interest in the NO_x emissions trading, given its scope for individual States to implement the scheme differently, in contrast to the SO₂ trading scheme that was operated centrally.

While acknowledging the interest of the morning's presentation, Mr BALOCCO (IFIEC) expressed the view that carbon trading was a different issue, given the extent of economic dependence upon fossil fuels, and that it raised major issues of competitiveness. Mr WRIGLESWORTH (UNICE) believed that it was unrealistic for industry to think that it did not have to do anything, but that the specificities of each industry should be taken into account. Mr BOYD (ERT) stressed that emissions trading raised important competition issues and requested that DG COMPETITION be closely involved in the work of the Working Group. Mr KYTE (ETG) emphasised Mr McLEAN's message that businesses needed certainty, and a sufficient lead in time before legislation entered into force. With regard to emissions trading, Mr KYTE preferred to talk about "winners and "less

winners” (rather than “losers”). Mr COATES (UK) drew the meetings attention to differences between the US and the EU, in particular, EU state aid provisions and EU legislation, such as the IPPC Directive. Furthermore, the EU has already differentiated targets under the Burden Sharing Agreement, and emissions trading objectives should not be totally divorced from these targets. Mr BRADLEY (CNE) agreed that simplicity was important, and that reason among others, pleaded for absolute emissions caps on participating entities. He also underlined that the success of the US SO₂ trading scheme was in large part due to strong compliance and transparency.

4. Chairman’s vision of the ECCP process, and the required outputs

The Chairman outlined his vision as being 3 fold:

- the Working Group must have a practical focus and output;
- the Working Group needs to prepare for a “learning-by-doing” approach. Our primary focus should be on getting started;
- the Working Group needs to consider how emissions trading interacts with other policies and measures, such as negotiated agreements, regulatory approaches, energy taxes, etc. .

The timetable for the Group was ambitious, but an interim report was needed for the special Environment Council on 7 November 2000. The June 2000 Environment Council Conclusions asked the Commission to prepare a proposal for Ratification of the Protocol early in 2001, and that, as for all legal commitments being entered into, an implementation strategy should be adopted at the same time. If emissions trading was to figure in this implementation strategy, the Working Group’s work was crucial in laying firm foundations.

Ms SIMONS (UK) expressed the opinion that climate change was an area of shared competence between the Commission and the Member States. The Chairman replied that the shared competence is confined to the preparation and negotiation of international agreements, such as the Kyoto Protocol, but that the Commission has a free hand to propose environmental measures – including on climate change – that fell within its competence as defined by the Treaty. The Working Group would provide valuable input to the Commission’s thinking.

Mr HEERINK (CEFIC) wished to see the guidelines on negotiated agreements that were being prepared by the Commission as soon as possible, and certainly before the 7 November meeting of the Council. Mr SINGER (WWF) asked whether there was going to be a ECCP subgroup on Voluntary Agreements. In answer, the Chairman and Ms DOSCHKO (DG ENTR) explained that a decision on such a subgroup would be taken by the Steering Committee after the preparation of the ECCP’s interim report.

5. Discussion of the Working Group’s mandate and organisation of work

On the group’s mandate, several remarks were made on the extent to which elements described in separate paragraphs over-lapped. Furthermore, there were several “cross-cutting” issues. It was felt that there was more to monitoring and

verification than fixing sanctions. The interaction between Community initiatives and those being taken by Member States (and EEA countries) were of great importance. Furthermore, views were expressed that the mandate should not pre-judge the Working Group's findings.

There was general agreement on the need to be pragmatic, which the Chairman emphasised was exactly the Commission's wish in advocating an early gradual start to emissions trading within the EU. The Chairman further emphasised how representatives in the Working Group, in particular from the industry side, had to act as a channel for information to be disseminated the associations that they represented.

Examination of the Clean Development Mechanism and Joint Implementation, and their compatibility with emissions trading within the Community, would be examined after COP-6, in the hope that COP-6 would provide greater clarification on their practical functioning.

6. Adoption of the list of proposed dates of meetings

The proposed list of dates for the next 9 meetings of the Working Group was adopted. The list can be found as Annex 2 to this Record.

7. Exchange of views on Background Document 1: "Objective setting in the context of emissions trading and voluntary agreements"

An opening round of comments took place on the background document prepared for this first meeting of the Working Group. The discussion would be continued next time. Mr VIS (DG ENV) introduced the paper, and highlighted its conclusion that although industry strongly advocated maintaining compatibility with the Kyoto Protocol's "flexible mechanisms", such compatibility could not be ensured through the adoption of relative targets. Ms WOLLANSKY (AUT), Mr BRADLEY (CNE) and Mr HAYDEN (DG ECFIN) could subscribe to this conclusion. MM BOYD (ERT) and Mr HEERINK (CEFIC) expressed doubts that absolute targets were necessary, and nor did they take sufficient account of competitiveness concerns. Mr COATES (UK) accepted that over time, all governments and industry players will have to move over to absolute targets, but that relative targets can serve as a useful stepping-stone. Mr COATES continued that if a Member State was prepared to assume the risk that emissions from a given sector would grow in absolute terms, then that was its prerogative. There were safeguards in the Treaty for ensuring that Member States did not distort competition by giving excessive help to its industrial sectors through "soft" relative targets.

The Chairman concluded that the issue of respective responsibilities between the public and private sectors was at the heart of the debate about absolute and relative targets. Industry wants compatibility with the Kyoto mechanisms so that it can have access to the Protocol's international markets. However, if compatibility is undermined by the nature of the targets agreed, then access to these international markets is restricted to Governments, who in effect assume the risk for meeting the absolute emissions targets under the Protocol.

The Chairman suggested that delegates take home the opinions that had been voiced on what is certainly one of the most difficult issues to be tackled by the Group. The discussion would continue next time on the basis of a slightly revised background document. The next meeting would attempt to reach consensus on what the implications follow from the nature of objectives set. Above all, the Group would never reach consensus if participants focus only on what they want, but should rather focus on the factual implications that follow from making certain choices.

8. Closing of meeting

Date of next meeting was confirmed as taking place on 19 July 2000 (10h00 until 18h00). It will take place in Room 0/C at the offices of DG Environment: 5, Avenue de Beaulieu, B-1160 Brussels.

Peter VIS
Principal Administrator
Secretary to Working Group 1

Annex 1**ECCP Working Group 1****First meeting: 4 July 2000**

(* means that attendance was only for the morning's presentation)

NAME	Organisation
DELBEKE Jos (Chairman)	DG Environment, Unit A2
VIS Peter (Secretary)	DG Environment, Unit A2
VANHEUKELEN Marc	DG Environment, Unit B2
VAINIO Matti	DG Environment, Unit B2
ZAPFEL Peter	DG Environment, Unit B2
DOSCHKO Susanne	DG Enterprise, Unit E1
BOESHERTZ Daniel	DG Taxation and Customs Union, Unit C4
LIOLIOS Christos*	DG Taxation and Customs Union, Unit C4
GARCIA RODRIGUEZ Jaime	DG Transport and Energy, Unit A3
VON SCHOLZ Hans-Eike	DG Transport and Energy, Unit A3
HAYDEN Mark	DG Economic & Financial Affairs
BECKER Jean-Jacques	Ministry of Economics, Finance and Industry, France
WOLLANSKY Traude	Environment Ministry, Austria
COATES Ian	Department of Environment, Transport and the Regions, United Kingdom
SIMONS Jo	Department of Environment, Transport and the Regions, United Kingdom
MITTELBACH Karl*	BDI, Germany
SCHAFHAUSEN Franz-Joseph	Environment Ministry, Germany
KYTE Bill.	Emissions Trading Group, United Kingdom
SINGER Stephan	World Wildlife Fund (WWF)
CANEILL Jean-Yves	EURELECTRIC
DE LANNOY Rose	EURELECTRIC
HEERINK Bertil	Chemical Industry Council (CEFIC)
BOYD Chris	European Round Table (ERT)
WRIGLESWORTH Mike	Union of Industrial and Employers' Confederations of Europe (UNICE)
BALOCCO Francesco	International Federation of Industrial Energy Consumers (IFIEC)
LEFEVERE Jürgen	Foundation for International Environmental Law and Development (FIELD)
BRADLEY Rob	Climate Network Europe (CNE)
SCHOETERS Karla	Climate Network Europe (CNE)

Annex 2

Proposed list of dates for forthcoming 9 meetings of Working Group 1 of the ECCP:

Meeting 2: Wednesday 19 July 2000

Meeting 3: Tuesday 26 September 2000

Meeting 4: Wednesday 25 October 2000 (*Adoption of interim report*).

Meeting 5: Wednesday 6 December 2000

Meeting 6: Wednesday 10 January 2001

Meeting 7: Wednesday 14 February 2001

Meeting 8: Wednesday 14 March 2001

Meeting 9: Wednesday 4 April 2001

Meeting 10: Wednesday 2 May 2001 (*Agreement of final report*).

All meetings will start at 10h00 unless decided otherwise.