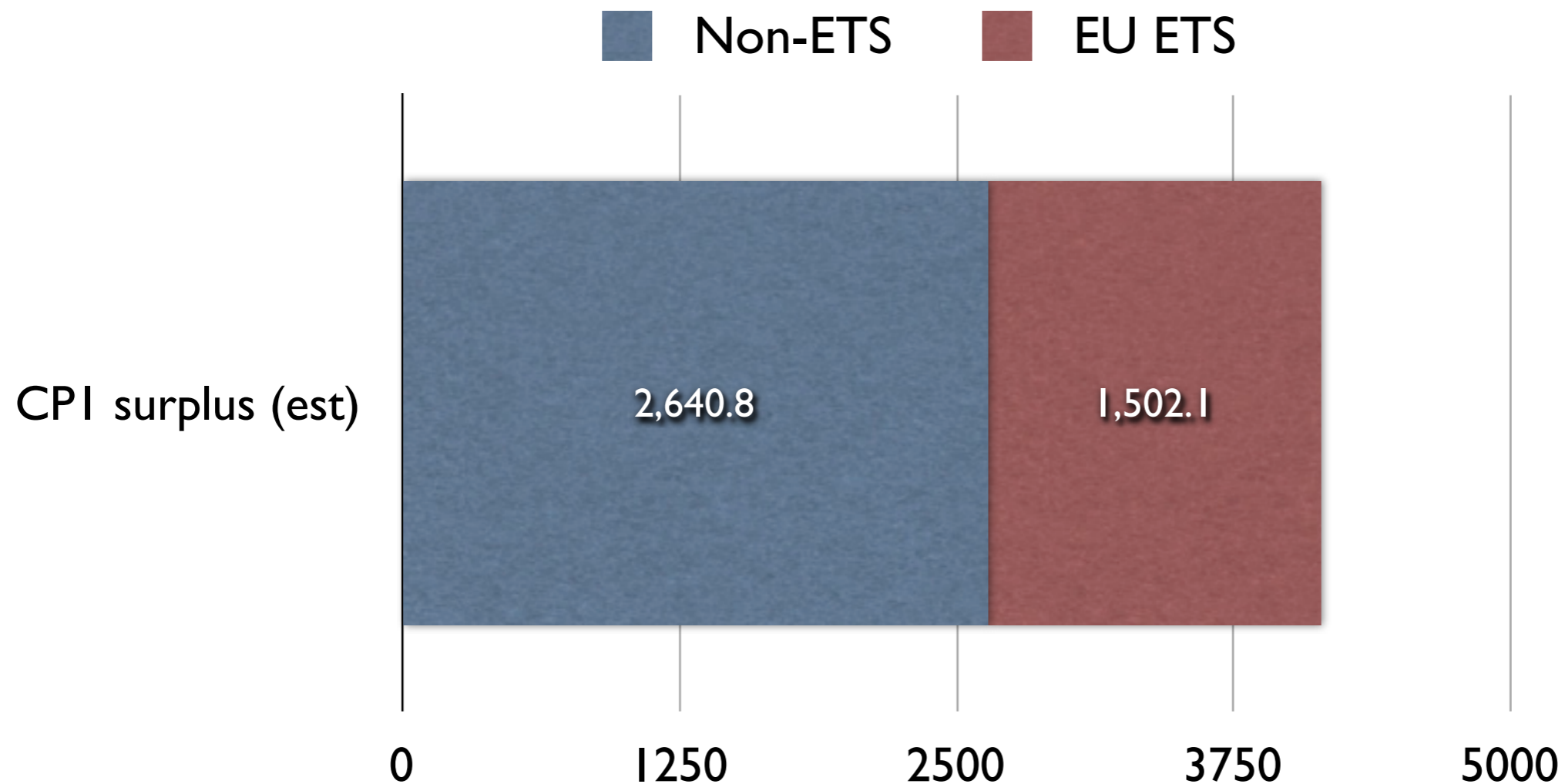


The EU and the AAU surplus



EU's cp1 surplus

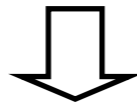


Total estimate: 4,142.8 million tonnes CO2-eq

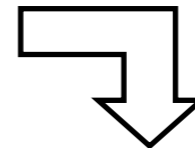
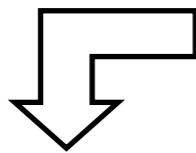
Source, Pointcarbon

2020 climate targets

2020 EU GHG target:
“-20% compared to 1990”



“-14% compared to 2005”

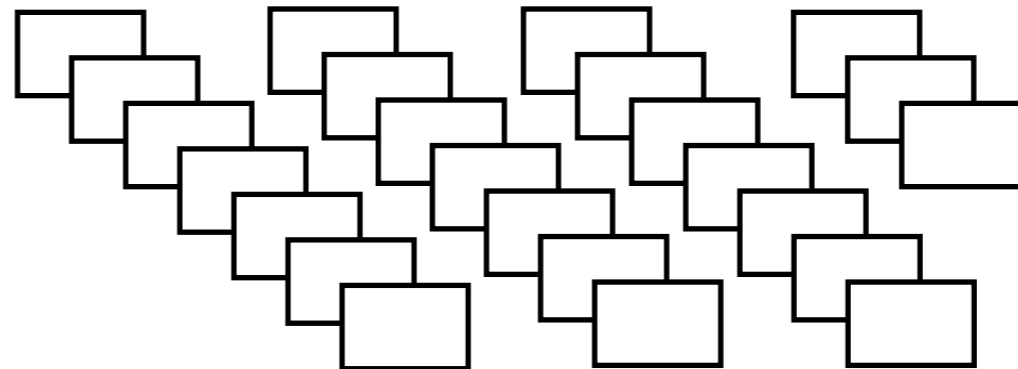


EU ETS
“-21% relative to 2005”

non ETS sectors
“-10% relative to 2005”



Targets for 27 Member States



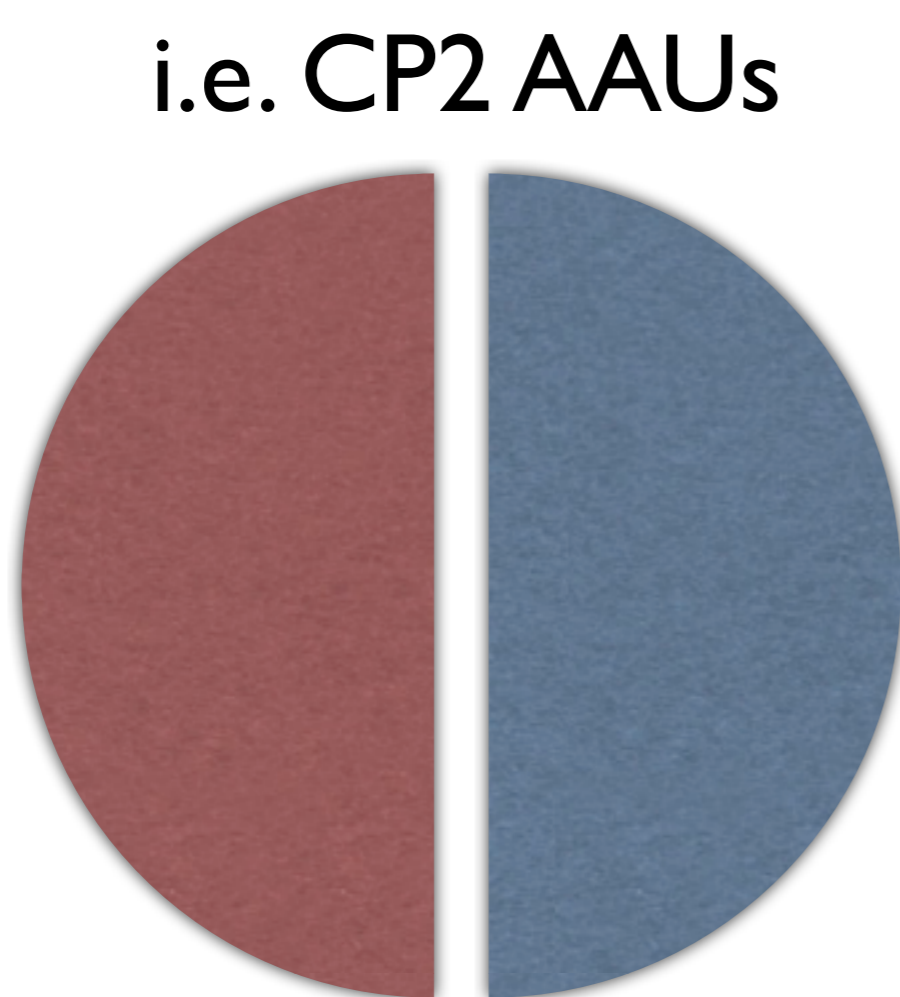
AAUs in 2013-2020 EU climate legislation



- AAUs not allowed for compliance in EU ETS
- AAUs not allowed for compliance in non-ETS including no carry over from 2008-2012 period.

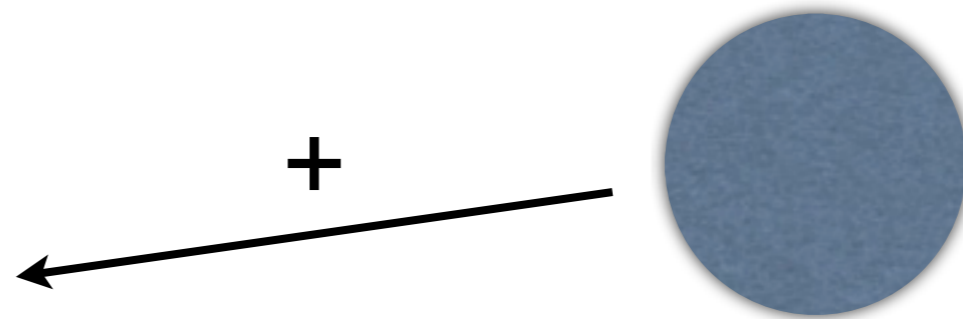
However...

EU 2013-2020 QELRO
i.e. CP2 AAUs



● EU ETS ● non-ETS

● EU ETS banking of EUAs



If AAU banking is not allowed
possible liability issue.
[but no problem with e.g. Swiss and G77 AAU surplus proposal]

The solution: EU ETS

- Allow full carry-but limit use only for domestic compliance and/or
- restrict EU ETS 2013-2020 cap through e.g backloading EUAs and cancellation before 2020.
- Cancel equivalent, ETS related AAU surplus

The solution: non-ETS

((maybe) acceptable to Poland (!))

- swap surplus AAUs for AEA (non-ETS allowances) at price discount rate (e.g. AAU 1 EUR/t, AEA 10 EUR/t e.g. 90% discount)
- This leads to around 280 Million AEA added to EU non-ETS QELRO
- Place these 280 Million AEA in Special Reserve for NEW **EU “Green Investment Scheme”**. Funding goes to EU surplus countries.
- Compensate increased supply through stricter limit on CDM use and/or
- (Limited) increased (linear) ambition e.g. from -10% to -15% in 2020 ref. 2005 in non-ETS sectors.
- Finally cancel non-ETS related AAU surplus

Conclusion

EU can come to an acceptable solution through

- Smart increase of EU ambition through a stronger and more cohesive EU climate package in combination with the
- cancellation its CP1 surplus AAUs

...and now it's up to the Ministers. Good Luck!