



25 June 2012

**Ministry of the Environment Sweden**  
*Minister for the Environment*

CDM Watch  
Rue d'Edimbourg 26  
1050 Bryssel  
Belgien

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**Regarding the use of offsets in the EU ETS**

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Dear Sir/Madam,

Thank you for your open letter dated May 15<sup>th</sup>.

Climate change can only be solved through international co-operation and actions. Accordingly, Sweden is taking ambitious domestic mitigation actions and has also engaged internationally in a number of programmes with other countries. The national Swedish target for emissions reductions will be met by domestic action as well as investments in CDM and similar mechanisms. It is the firm conviction of the Swedish government that climate investments are essential within the EU but also outside Europe. Offsets will contribute to reaching EU goals. For the EU member states, a cap on emissions has been set by the ETS on large point sources and aviation. Offsets can be used to a limited extent as defined within the Emissions Trading Directive to improve the cost effectiveness of the system. In the next phase of ETS, projects from Least Developed Countries and Small Island Developing States are being given a preference. The role of offsets when it comes to the ESD decision is likewise well-defined and regulated.

CDM has two purposes, to generate credits for emission reductions that go beyond what would otherwise have been the case and to contribute to sustainable development according to host country prerogatives. The emission reductions achieved through a CDM project can be used for offsetting emissions in developed countries and indeed, the prospect of using flexible mechanisms, such as the CDM and JI, and the cost efficiency they provide, were instrumental in reaching an agreement in Kyoto. However, even in cases where CDM and JI are used for offsetting, these tools themselves go beyond offsetting; they can facilitate technology transfer, finance adaptation measures, raise awareness about emissions and increase understanding and capacity on

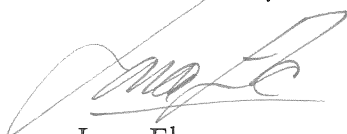
how markets can be used for combatting climate change, all these are important aspects if we, as mankind, shall be able to combat climate change. Outward channels for climate mitigation should be sustained.

That the emission reductions achieved through a CDM project are real and additional is controlled through a rigorous system at UN level. It is a UN body, the CDM Executive Board, guided by the Parties to the Kyoto Protocol, which decides if the projects fulfil the requirements. Sweden has participated in creating that system and is working, together with other parties, for continuous improvement of the system. It is the system at UN level that assures that emission reductions generated through the CDM are real and additional, and only when proven that they are, the issued credits can be used for offsetting by those who so desire. It is important that the rules of CDM are set at the UN level; this enables broad participation by all Parties to the Kyoto Protocol, and an important openness in the decision making process.

The dissemination of existing technologies and the research, development and deployment of new technologies play an important part in tackling climate change. It is vitally important that, given national circumstances, the most appropriate cost-effective technologies are available. These must fit the local needs and conditions in which they will operate. Restrictions on or conditions for individual technologies are sometimes warranted and provided by EU legislation. The contribution to sustainable development should be brought to the fore when projects are developed.

Thank you very much for your interest in these important issues, I welcome your future contributions.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Lena Ek', with a stylized flourish at the end.

Lena Ek