COP21

How to keep *hot air* out of EU's climate policies?

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Potential impact of the Paris agreement on the EU's climate policies

- Carry-over of hot air from pre-2020: link Kyoto Protocol + EU climate policies
- 5-year review cycles
- LULUCF accounting
- Cooperative approaches and ETS linking

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The link between *hot air* under the Kyoto Protocol + under the EU's climate policies

- AAUs are currency for meeting the KP targets, which means that the **surplus AAUs (*hot air*) are useless under the Paris agreement** post-2020.
- In the first KP commitment period, EU allowances were shadowed by AAUs. From 2013, in general **AAUs have been decoupled from EUAs**.
- EU allowances (EUAs) are the currency for meeting the EU ETS targets. **Surplus EUAs (*hot air*) can be used for compliance with EU's post-2020 targets**.
- As there will not be an international carbon unit after 2020 similar to AAUs, any decision for allowing the use of pre-2020 allowances under the Paris agreement is a **political one**.

➢ ***What is the political message if the EU will use its pre-2020 hot air*** *to meet the 2030 climate target under the Paris agreement?*

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The EU's *hot air* problem

The EU will significantly over-achieve its 2020 climate target mainly due to:

- An inadequate climate target set above BAU emission levels
- The use of international carbon offsets with low integrity
- The economic recession

The result is the accumulation of excess emission allowances, so called "surplus" or "*hot air*" allowances.

➢ What will happen to this *hot air* after 2020?

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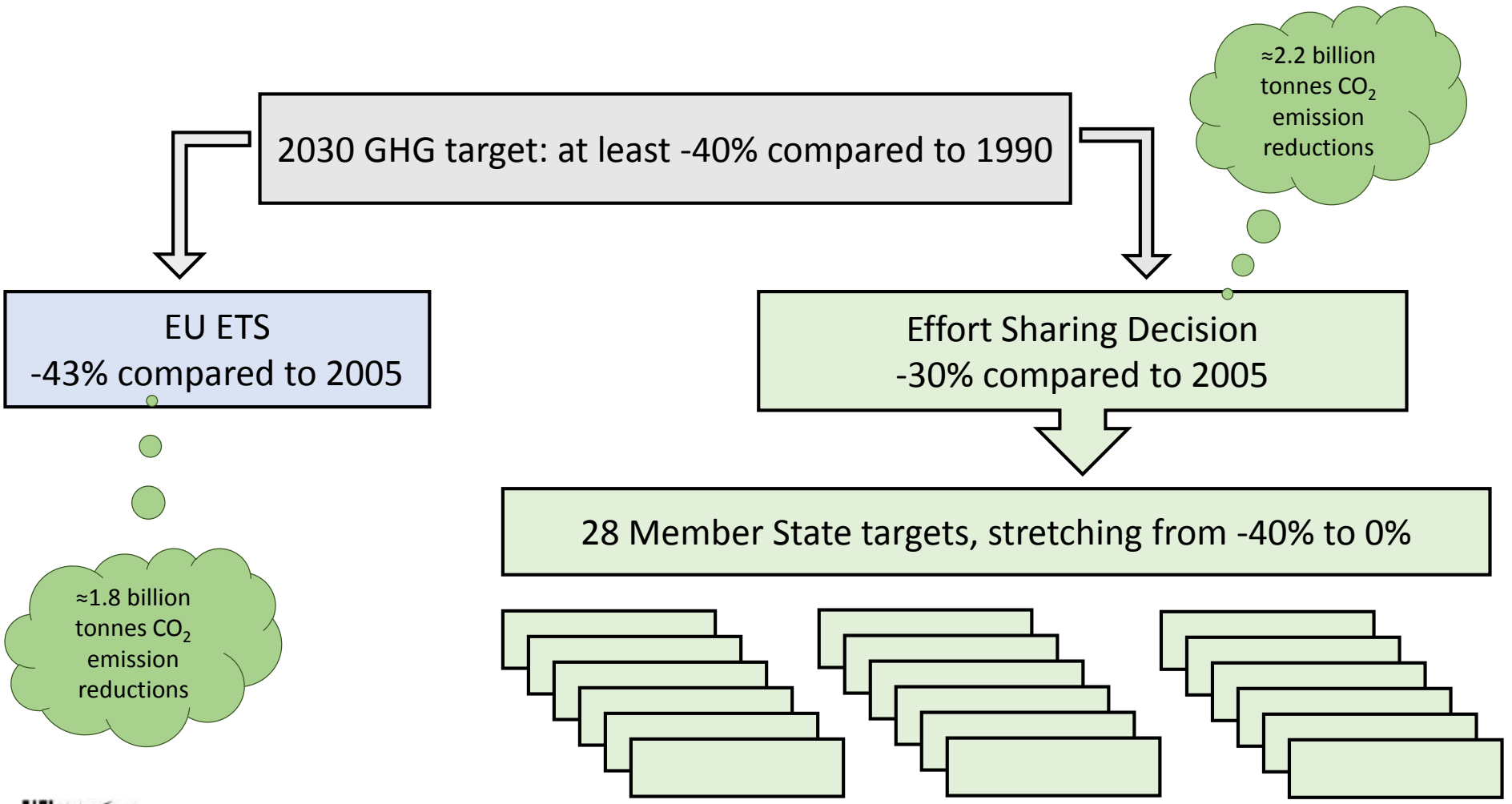
The 2030 EU's climate framework



EU's 40% target ≈ 4 billion tonnes of GHG emission reductions between 2021 and 2030
[compared to constant projected 2020 emissions]

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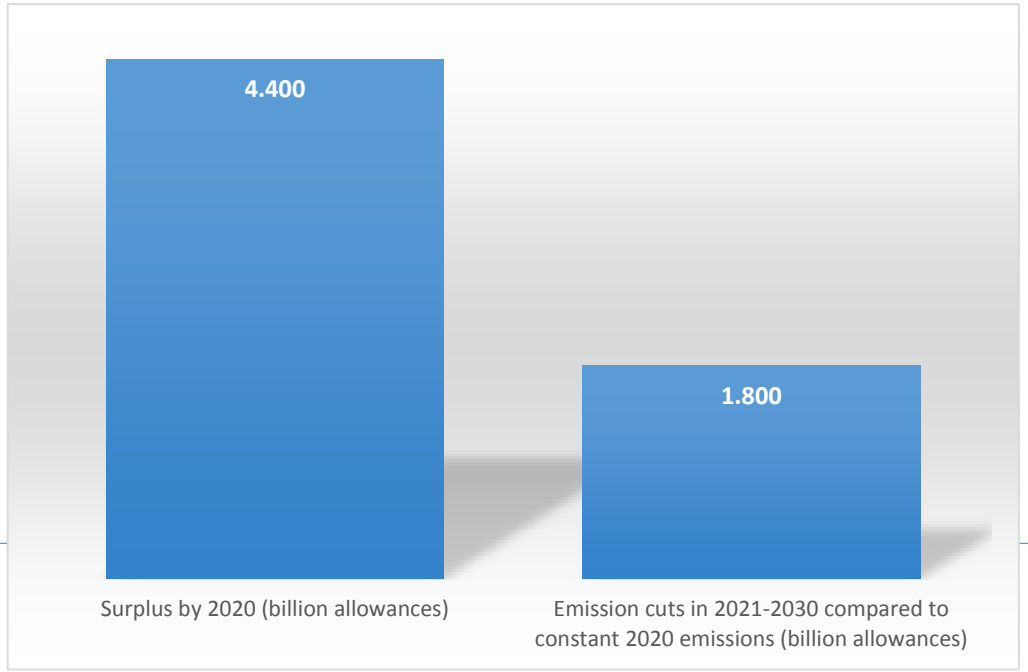
The "*hot air*" in the EU Emissions Trading System

By 2020 a surplus equal to **2.6 - 4.4 billion tonnes of CO_2-eq** will have accumulated in the EU ETS.

This "*hot air*" will be carried-over into the post-2020 period and could significantly undermine the environmental integrity of the EU ETS.

Part of the hot air will be temporarily stored in the Market Stability Reserve and ±700 million tonnes of CO_2-eq will return to the EU ETS in the 2021-2030 period.



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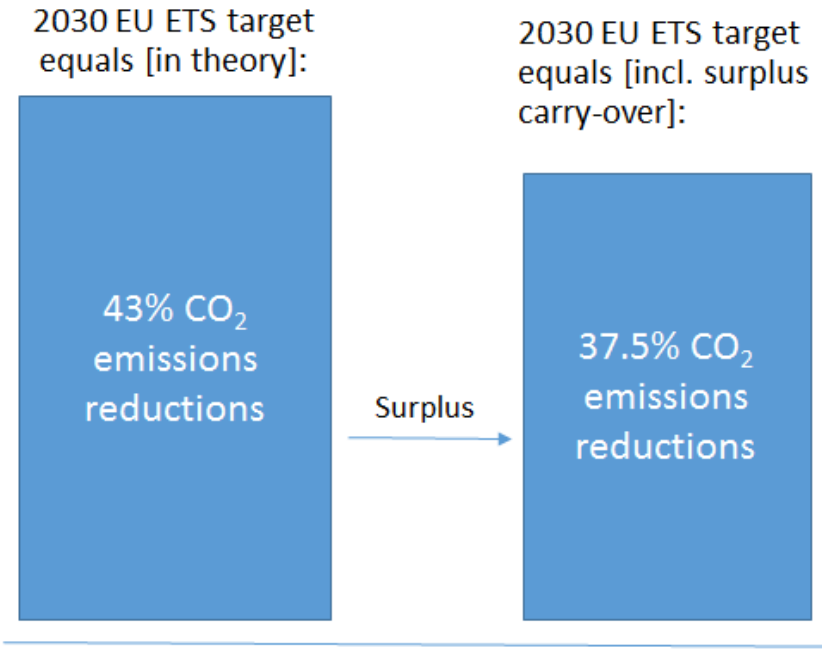
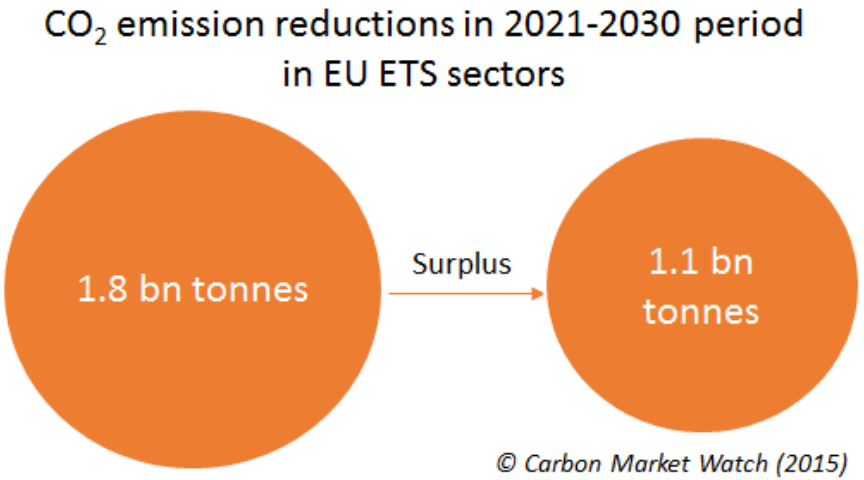
Potential impact of carry-over *hot air* in the EU ETS

In light of the Paris agreement, the EU ETS revision needs to be adapted in order to avoid the use of "*hot air*" permits after 2020.

- This can be implemented by **permanently cancelling at least 2 billion tonnes of CO_2-eq at the end of 2020**





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The "*hot air*" in the EU's Effort Sharing Decision

By 2020 a surplus equal to **1.5 – 1.7 billion tonnes of CO_2-eq** will have accumulated in the Effort Sharing Decision (excluding the possible use of international carbon offsets).

This hot air will not be automatically carried over into the 2030 Effort Sharing Decision, although certain EU countries are calling for this.

Carry-over of this "*hot air*" will significantly undermine the environmental integrity of the Effort Sharing Decision post-2020.

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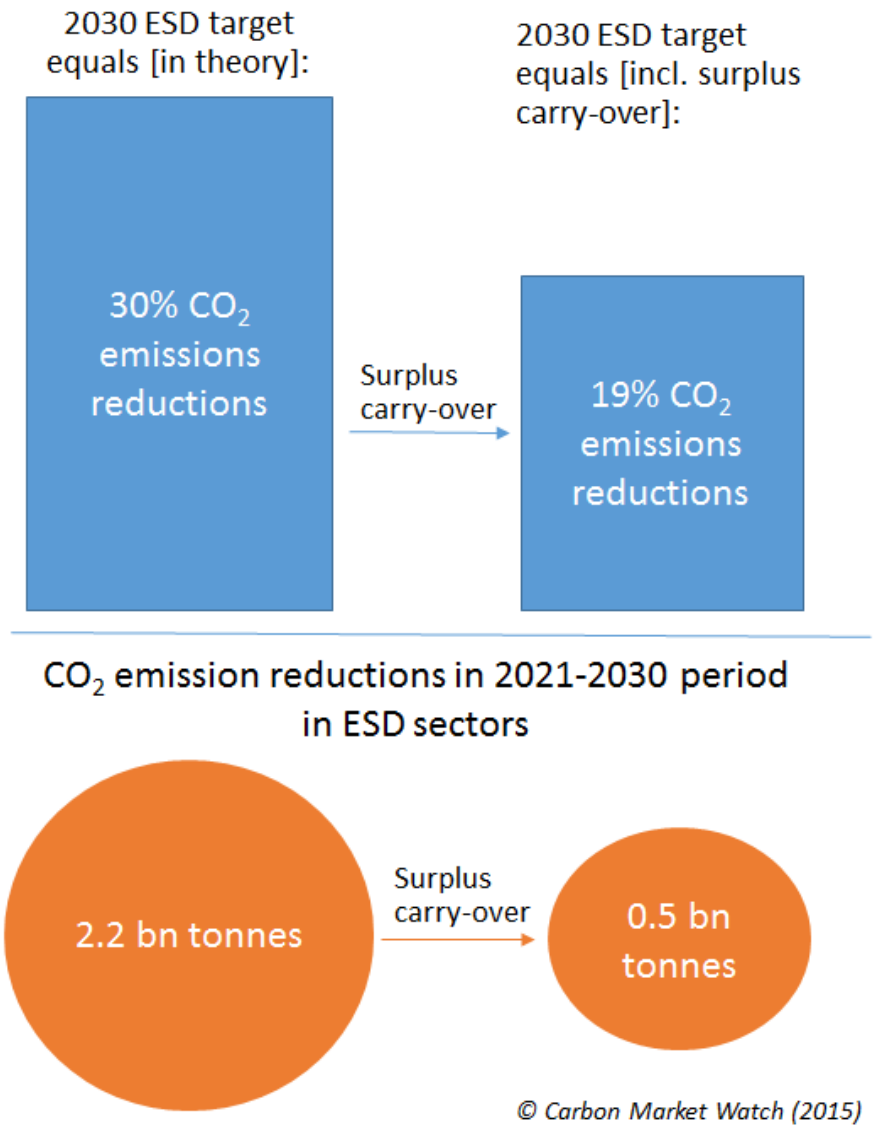
Impact of carry-over *hot air* in the Effort Sharing Decision

In light of the Paris agreement, the EU ETS revision needs to be adapted in order to avoid the use of "hot air" permits after 2020.

- This can be implemented by the status quo, e.g. **disallowing the up to 1.7 billion tonnes of CO_2-eq hot air to be used in the post-2020 period**



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The 2030 EU's climate framework – the importance of avoiding hot air

2030 GHG target: at least -40% compared to 1990

≈0.5 billion tonnes CO_2 reductions if surplus is carried-over

≈2.2 billion tonnes CO_2 emission redutions

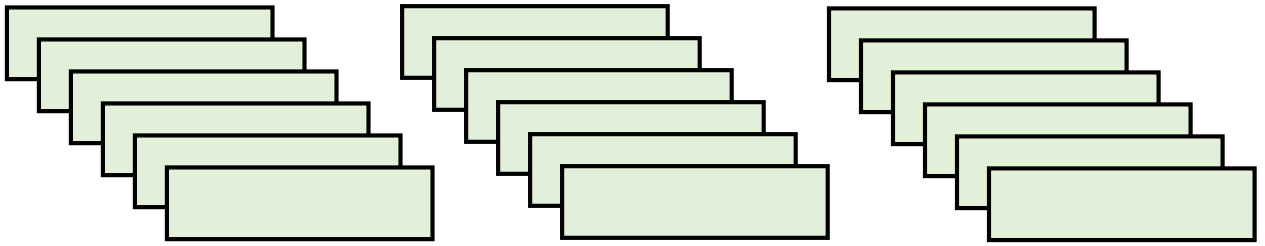
EU ETS
-43% compared to 2005

≈1.1 billion tonnes CO_2 reductions if surplus is carried-over

≈1.8 billion tonnes CO_2 emission reductions

Effort Sharing Decision
-30% compared to 2005

28 Member State targets, stretching from -40% to 0%



≈1.6 billion tonnes of GHG emission reductions if all pre-2020 surplus is carried-over

EU's 40% target ≈ 4 billion tonnes of GHG emission reductions between 2021 and 2030
[compared to constant projected 2020 emissions]

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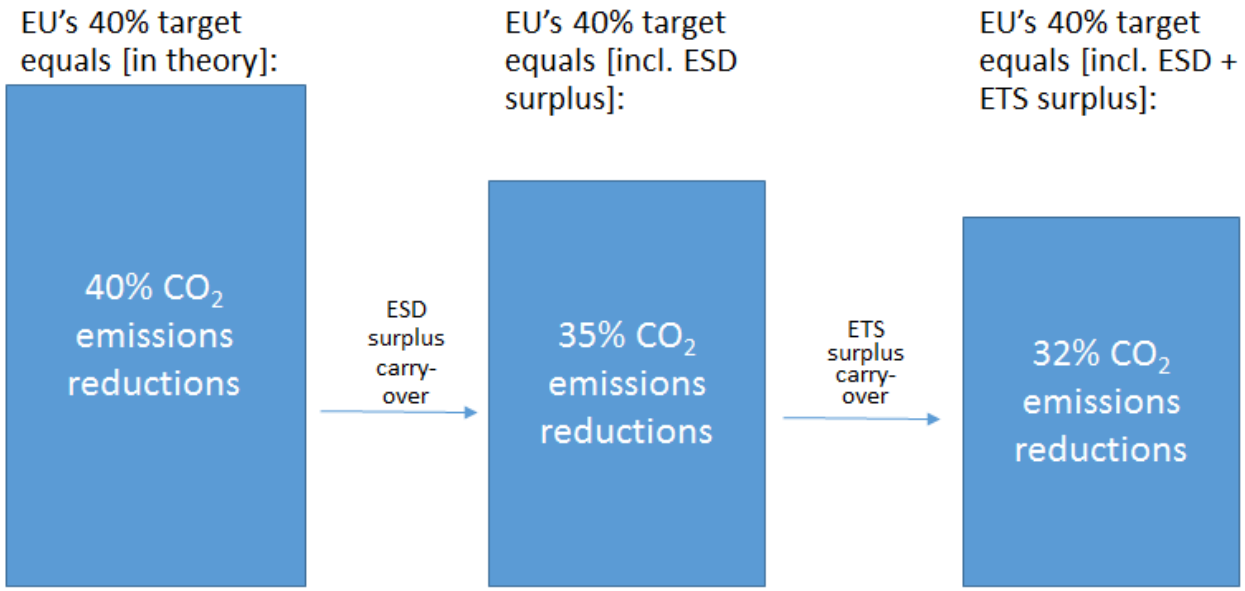
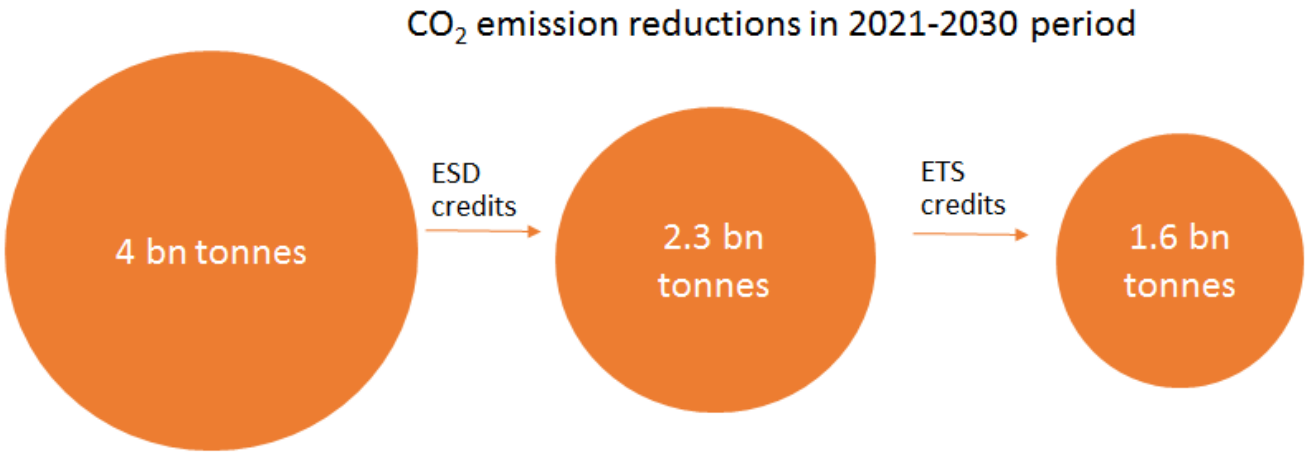
Impact of EU's hot air on the 2030 climate target when fully carried-over





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More info

- See our website: www.carbonmarketwatch.org
- Join our COP21 side-event at the EU pavilion on 2 December (18.15-19.00, "*The role of ambition under the Paris climate treaty and the impact of hot air on the EU's climate policies*"
- Play our upcoming computer game and help CAPMAN achieve real emission reductions by sucking CO_2 while avoiding the hot air obstacles to achieving a successful climate deal

CAPMAN

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Thank you!

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