

World Ceramic Tiles Forum – Climate and Energy context

Climate & Energy Policy



Agenda



- EU: Climate neutrality and New Green Deal
- Revised EU Emissions Trading System for 2020-2030
- International overview of existing and planned national systems

Climate neutrality by 2050

- **EC Communication:**
“A Clean planet for all”

On **28 November 2018** the European Commission presented its strategic long-term vision for a prosperous, modern, competitive and **climate-neutral economy** by 2050.



New European Commission

- **16 July 2019:** Ursula von der Leyen, former Federal Minister of Defence of Germany, was elected President of the European Commission, with a narrow majority of 383 MEPs of the 733 votes cast.
- **F. Timmermans** (Netherlands, S&D) was appointed as **Executive Vice President for the European Green Deal**



New Green Deal

- Political guidelines for the next EC (2019 – 2024) focus on six headlines ambitions, the main one is the **“European Green Deal”**: **to be presented in the first 100 days of the EC mandate.**
- Boosting the EU’s 2030 emission target from a 40% reduction to “at least 50%”
- To create the “first European climate law” consecrating the 2050 climate-neutrality target into law.
- To introduce carbon border tax, which is WTO compatible.
- To extend the ETS to cover maritime sector.
- To review the Energy Taxation Directive.
- To put forward a strategy for green financing and a Sustainable Europe Investment Plan.
- The creation of a European Climate Pact.

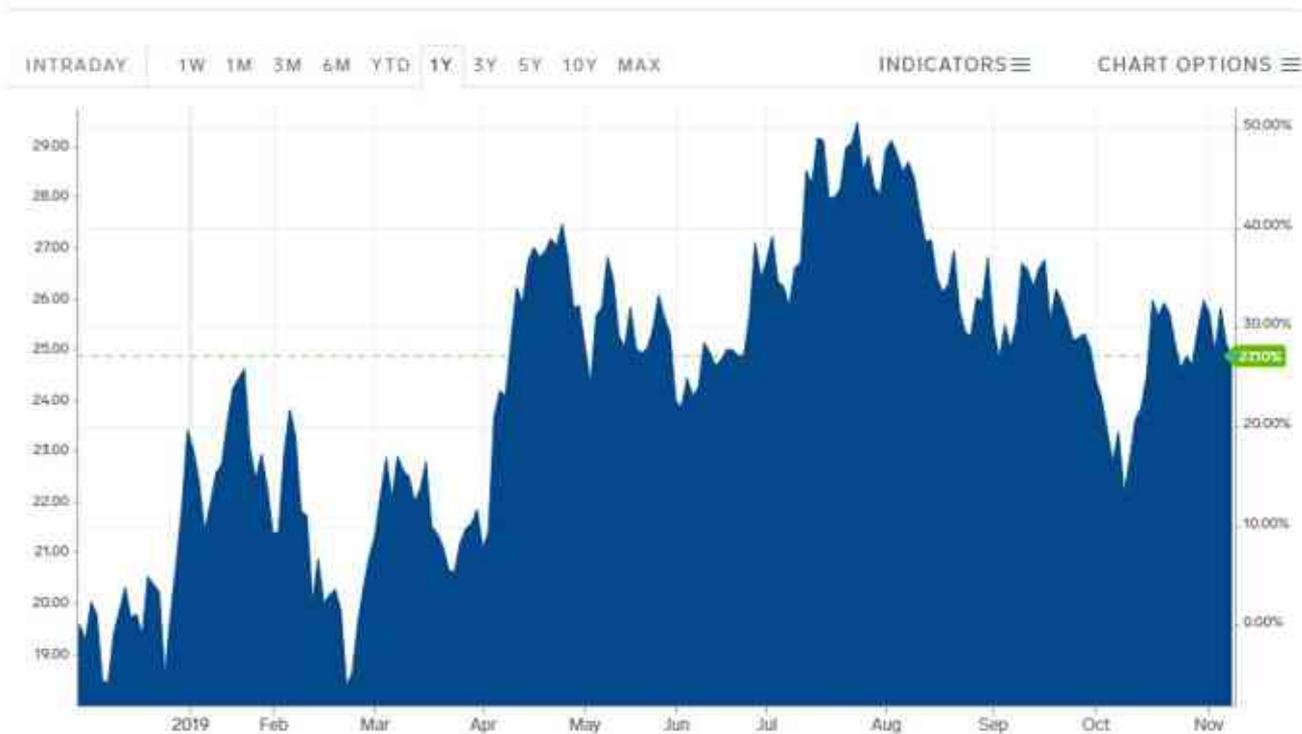


EU ETS directive review – main elements

- Operates in the **28 EU countries** plus Iceland, Liechtenstein and Norway
- Covers around 45% of the EU's GHG emissions (i.e. Industry and energy producers)
- 2021-2030: **4th trading period**. The revised text was published in March 2018.
 - **Annual reduction** of the cap on the total volume of emissions by **2.2%** (linear reduction factor).
 - The share of allowances to be **auctioned will be 57%**.
 - Revised free allocation rules: **Product benchmarks** to determine allocations to best performers will be updated.
 - A new mechanism to **limit the validity of allowances** in the market stability reserve above a certain level will become operational in 2023.
 - Best performers in sectors exposed to international competition will continue receiving partial **free allocations** (up to the benchmark) until 2030.

Carbon price

- CO2 European Emission Allowances
- Current price = 24.86 EUR



International overview: Other CO2 emissions schemes in the world



ETS in force: China national ETS

- China ETS launched on **19 December 2017**.
- It will become the world's largest carbon market.
- Initial focus on the **power generation sector** which accounts for **46% of the Chinese CO2 emission**.
- Workplan divided in 3 phases:
 - First phase: market infrastructure (one year).
 - Second phase: simulating trading (one year).
 - Third phase: allowances spot trading for compliance purposes (from 2020).More Information: [info](#).

→ It is **expected to be extended over time to cover industrial sectors**.

History:

- October 2011: seven ETS pilots (cities of Beijing, Shanghai, Tianjin, Shenzhen Chongqing, and provinces of Guangdong, Hubei) were approved by the Chinese government.
- 2013-2014: ETS pilots started.
 - Objective: to design the foundation for a national ETS to ensure that carbon and energy intensity targets are achieved while minimising abatement costs. The design of the ETS pilots included direct and indirect emissions generated from electricity and heat production, which was an innovative way to reduce the potential risk of carbon leakage.

→ The EU is supporting China in this step, Commissioner Arias Cañete said: China ETS *“undoubtedly send a strong signal to the rest of the world in support of carbon markets. The EU is therefore pleased to engage in even closer bilateral cooperation with our Chinese counterparts.”*

ETS in force: Japan

➤ **1st initiative: Tokyo Cap-and-Trade Program**

- Launched in April 2010 by the Tokyo Metropolitan Government.
- Tokyo ETS is Japan's first mandatory ETS.
 - Large offices and factories are required to reduce emissions by 6% or 8% in the first period (FY 2010-2014). For the second period (2015-2019) the target has increased to 15% or 17%.
 - The target in the third period (FY2020-2024) is expected to be 25% or 27%.
- For more information follow the [link](#).

➤ **2nd initiative: Saitama Target Setting Emissions Trading System**

- Established in April 2011 as part of the Saitama Prefecture Global Warming Strategy Promotion Ordinance.
- Saitama's ETS is bilaterally linked to Tokyo's.
- Sectors covered: **Commercial and industrial sectors.**
- Saitama are required to reduce emissions by 15% or 13% in its second compliance period (FY2015-2019).
- For more information follow the [link](#).

ETS in force: USA (state level)

➤ California Cap-and-Trade Program

- Initiated in 2012, compliance obligation began on 1 January 2013.
- Program covers sources responsible for approximately 80% of California's GHG emissions.
- 2017: new legislation to give direction to the policy for the post-2020.
- For more information follow the [link](#).

➤ Massachusetts Limits on Emissions from Electricity Generators

- In 2016, a ruling by the Massachusetts Supreme Court established that the government would need to take additional action to guarantee that the state climate targets, a 25% reduction in 2020 and an 80% reduction by 2050 (compared to 1990), are met.
- System began operation in January 2018. First program review will be in 2021 with a review every ten years thereafter.
- Sectors covered: Power sector.
- Click [here](#) for more information.

➤ Regional Greenhouse Gas Initiative (RGGI)

- Jurisdictions: Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island, Vermont.
- First mandatory GHG ETS in the US.
- Sectors covered: Fossil fuel electric generating units
- Click [here](#) for more information.

➤ Virginia: scheduled ETS

- 2017: approval of the "Regulation for Emissions Trading".
- Cap of 28 million short tons in 2020, which would decline 3% per year to 19.6 million short tons CO₂e in 2030.
- Operational and linked to Regional Greenhouse Gas Initiative by 2020.
- For more info's click [here](#).

➤ New Jersey: scheduled ETS – "CO₂ Budget Trading Program"

- initial emissions cap at 18 million short tons CO₂e in 2020.
- The cap will decline by 2.5% in 2020 and then by 30% over the next 10 years through to 2030.
- For more info's click [here](#).

ETS in force: Canada (state level)

➤ Nova Scotia

- Programme started in January 2019
- Cap and trade programme for the years **2019-2022**.
- It covers **industrial, power, heat (buildings), and transport sectors**.

➤ Quebec

- Introduced in 2012 and started on 1 January 2013.
- It covers covers **fossil fuel combustion and industrial emissions in power, buildings, transport, and industry**.

Fore more information click [here](#).

ETS in force: Republic of Korea

- National ETS (KETS) was launched on 1 January 2015.
- First nationwide Cap-and-Trade program in operation in East Asia.
- KETS covers:
 - approximately 591 of the country's largest emitters, which account for around 68% of national GHG emissions;
 - direct emissions of six Kyoto gases;
 - indirect emissions from electricity consumption.
- The second phase runs from 2018-2020, key changes:
 - Introduction of auctioning;
 - Expansion of benchmark-based free allocation from three sectors (cement, oil refining and domestic aviation) to between seven to nine sectors;
 - Introduction of a market maker in an effort to enhance trade activity and market liquidity.
- The third and final phase runs from 2021 to 2025:
 - Less than 90% of permits will be under free allocation and the other will be auctioned.
- More information [here](#).

ETS scheduled: Ukraine

- Ukraine plans to establish a national ETS in line with its obligations under the **Ukraine-EU Association Agreement**, which entered into force on 1 September 2017. **The country has to prepare for ETS implementation**, including:
 - Adopt national legislation and designate competent authority/ies;
 - Establish a system for identifying relevant installations and for identifying greenhouse gases;
 - Develop a national allocation plan to distribute allowances to installations;
 - Establish a **system for issuing greenhouse gas emission permits and issue allowances to be traded domestically among installations in Ukraine**;
 - Establish monitoring, reporting, verification and enforcement systems and public consultations procedures.
- The country is developing the main elements of the national MRV system to provide a solid basis for the upcoming ETS. A draft law on MRV of GHG emissions was published in June 2018 and submitted to the Cabinet of Ministers for approval.

Separate legislation is being drafted to establish the MRV system, transpose the relevant EU Directives, regulate GHG emissions and establish the ETS.

ETS scheduled: Brazil



- **Brazil is exploring the possibility of a cap-and-trade program.**
- Brazil's National Climate Change Policy (PNMC) (enacted in December 2009), aims to promote the development of a Brazilian market for emissions reductions.
- Brazil is currently assessing different carbon pricing instruments including an ETS and a carbon tax.
- The Ministry of Finance is developing design options and conducting comprehensive economic and regulatory impact assessments for both instruments.
- 2017 National Policy for Biofuels: trading mechanism for emission reductions units, switching from fossil fuels to biofuels.
- ETS simulations since 2013: in 2018, 29 companies took part.
- For more information click [here](#).

ETS scheduled: Mexico

- General Law on Climate Change (GLCC) (April 2012) provides the basic framework for the establishment of a voluntary ETS in Mexico.
- 2014: establishment of a **mandatory reporting system** (the National Emissions Register), for both direct and indirect GHG emissions for facilities with annual emissions above 25 000 tCO₂.
- 2017: the GLCC was amended, in order to introduce a mandatory ETS.
- **Between 2017 and 2018: national carbon market simulation.** It brought together more than 100 Mexican companies representing two thirds of Mexico's greenhouse gas emissions.
 - Objective of the exercise: strengthening the capacity and readiness of Mexican businesses to participate in future ETS.
- 2019: start of a **carbon market pilot phase**. The pilot will run for three years (January 2020 – 2022), before transitioning to an ETS.
- **Sectors: automotive, cement, chemicals, glass, steel, metallurgical, mining, and petrochemicals subsectors.**
- The system will cover 45% of national emissions, applied to united with annual emissions bigger than 100,000 tCO₂.
- For more information click [here](#).

ETS in force: New Zealand ETS

- Incentives for GHG emissions reduction from businesses and for trees planting.
- One emission unit represents one metric tonne of carbon dioxide or carbon dioxide equivalent.
- **It is up to the emitter to decide whether they wish to reduce their emissions or purchase units for carbon dioxide that is absorbed by their trees.**
- The sectors are: **forestry, agriculture, waste, synthetic gases, industrial processes (including manufacturers of iron and steel), liquid fossil fuels, and stationary energy.**
- Agriculture is not included.
- More information [here](#).

ETS in force: Kazakhstan

- Launched in January 2013.
- Covered sectors: **Extractive industries and manufacturing: oil and gas mining, metallurgy, chemical and processing industry.**
- 5% reduction by 2020, 15% (unconditional) and 20% conditional) by 2025, 40% by 2030.

For more information click [here](#).

ETS under consideration: Thailand

- Establishment of a MRV for the “Thailand **Voluntary Emissions Trading Scheme**”.
- October 2014 – September 2017: first pilot phase: testing the MRV, guidelines for sector, cap setting and allowances allocation.
- 2018 – 2020: test of the registry and trading platform.
- National reform plan: cap and trade programme to be established by 2020 under the “Climate Change Act”.
- For more information, click [here](#).

ETS under consideration: Vietnam

- **Cap and trade system possible by 2020.**
- Sectors: **steel.**
- Legal bases: MRV system and National Appropriate Mitigation Actions' (NAMAs) (which covers also waste).
- For more information click [here](#).

ETS under consideration: Indonesia

- 2013: voluntary carbon market. [link](#)
- 2017 Government Regulation on Environmental Economic Instruments: **mandate for an emission trading scheme by 2024.** [link](#)
- October 2019: Environment Fund Agency to develop a carbon market. [Link](#)
- No timeline yet.