

Emissions Trading: Links with Other Policies

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Structure of presentation

- Overview of policy linkages
- Experience from other tradeable permit schemes
 - US SO₂, NZ fishing quotas,
- Experience from GHG emission trading schemes
 - UK, Denmark, EU

Overview of policy linkages

- **Standards**

- energy efficiency performance, technology (BATNEEC)
- constrain emissions trading
- baseline requirement for internal reductions at the plant
- can provide basis for emissions trading monitoring

- **Voluntary agreements**

- depends on how defined
- can form basis for emissions trading allocations, reduces negotiating time
- can lead to complex targets

Overview of policy linkages

- **Taxes**

- depends on how defined (energy, carbon, GHG)
- no point both capping and taxing
- tax can be set as penalty for non-compliance (sets a price cap on allowances)

- **Regulations limiting emissions**

- can provide basis for allocation or target
- can provide basis for emissions trading monitoring, reporting, compliance

Experience: tradeable permits

- **US SO₂:**
 - Clean Air Act local and regional air pollution limits (National Ambient Air Quality Stds, New Source Performance Stds, Prevention of Significant Deterioration)
 - State regulations (health, employment, environment objectives) eg require SO₂ scrubbers
- **NZ fishing quota:**
 - Minimum size levels, closed seasons, closed areas, gear and method restrictions

Experience: GHG emissions trading

- **Denmark**
 - Voluntary agreements a basis for allocation
 - Tax used as penalty (price cap on allowances)
- **UK**
 - Climate change levy (energy not carbon)
 - Renewables and CHP target
- **EU**
 - IPPC permitting provides the regulatory basis (monitoring, reporting, surrendering allowances)
 - IPCC energy efficiency requirements
 - Domestic energy and climate change policies to be taken into account in allocation

Conclusions

- Emissions trading part of the package
- Interactions with: energy policies, energy security concerns, climate change policies, revenue raising requirements, fuel poverty concerns
- Some are complementary; some create complexity or constrain emissions trading
- Emissions trading works best for large stationary sources – other policies needed for other sectors
- Policy overlap is sometimes appropriate eg multiple objectives

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