

## Notes For Roundtable discussion on domestic emissions trading system

- In the UK context it is difficult to talk about emissions trading without also talking about taxation.

- **Marshall: role for tax and trading**  
Identified monitoring and verification, allocation and pre-commitment period banking as key issues to be resolved for any future trading scheme [Report available from <http://www.hm-treasury.gov.uk>]

Recommended a 'dry run pilot' (more later).

- **Budget in March 1999 announced UK will implement an energy tax in 2001 called the Climate Change Levy. It's a downstream energy tax levied on industrial customers. Now consulting on form of the levy but also suggesting mechanisms by which firms that take on targets to reduce energy use or carbon emissions could qualify for substantially lower rates of tax. [<http://www.hmce.gov.uk>]**

The key issue will be to ensure that such agreements deliver at least as much in energy/carbon savings as we would have expected under the full tax.

- **UK pursuing a twin track approach: taxes where appropriate, for example SMEs, service sector, but will also want to use the other economic instruments and keen to see how best to use the K-Mex.**
- **All will be part of the Governments overall strategy. UK Climate Change consultation just finished - plan to publish draft strategy later this year. [<http://www.detr.gov.uk>]**
- **Pilot**

Consultation with industry some very keen like oil and electricity some less keen i.e. steel, chemicals and range of enthusiasm within sectors.

Still sorting out what pilot will look like but clearly need high level commitment from participating companies.

Pilot likely to encompass a range of activities ranging from scenario playing to trading with real money transfers

Hope the pilot will tell us if emissions trading is a practical option and will help with design features for any full scale programme - including Allocation, monitoring and verification, maybe banking/early crediting.

Possible that firms participating in pilot could qualify for lower rates of energy tax than non-participants if they were prepared to adopt challenging targets under the pilot scheme. **BUT NOT CERTAIN AT THIS STAGE.**

**Electricity is an issue. Downstream tax on consumers so what to do about electricity use by industry or how to encourage the electricity supply industry to participate.**

**ANNEX I EXPERT GROUP ROUNDTABLE DISCUSSION ON EMISSIONS  
TRADING - WEB SITES MENTIONED IN UK PRESENTATION**

**MARSHALL REPORT 'ECONOMIC INSTRUMENTS AND THE BUSINESS USE OF  
ENERGY'**

**<http://www.hm-treasury.gov.uk>**

**'CLIMATE CHANGE CONSULTATION'**

**<http://www.detr.gov.uk>**

**CONSULTATION DOCUMENT ON 'A CLIMATE CHANGE LEVY'**

**<http://www.hmce.gov.uk>**