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EU plans to link emissions trading scheme with California

Connie Hedegaard in discussions on how to join the world's largest and second largest carbon markets

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Europe's commissioner for climate action on Tuesday confirmed for the first time plans to link the EU emissions trading scheme (ETS) with California's carbon market which opens next year.

Connie Hedegaard met with California's governor, Jerry Brown, and Mary Nichols, who chairs the Californian Air Resources Board, in Sacramento to discuss how future co-operation might work to join the world's largest and second largest carbon markets.

She said: "We told Governor Brown that we would very much like to co-operate with them so that no matter how California constructs their scheme, it is linkable to the way we do things in Europe. It doesn't have to be identical, just compatible."

The EU ETS was designed to link with other emissions trading schemes at a time when hopes of a federal cap and trade scheme in the US were still on the table. The EU ETS is now looking at more regional schemes, but officials in Brussels have expressed concerns over incompatibility between systems.

The estimated value of transactions on the EU ETS was 72bn (£62bn) in 2010 and the California cap and trade scheme could be worth \$10bn (£6bn) by 2016, according to Point Carbon.

But the European scheme has been fraught with problems including over-allocation of allowances resulting in



Connie Hedegaard, Europe's climate commissioner, has been in discussions with California over carbon emissions trading. Photograph: John Thys/AFP/Getty Images

windfall profits for energy corporations and allegedly fraudulent "missing trader" transactions worth 5bn. The scheme has also been subjected to cyber attacks.

But the commissioner said schemes in other countries should learn from the EU's example.

"After six years, we have some good experiences to share and ideas of the pitfalls. Europe has taken the burden of constructing a system that works. It makes sense for other nations not to start from scratch but to look at what were our good experiences in the EU and our not so good experiences. So they will not have to repeat the same thing."

She also suggested that it was essential to make California's carbon market

a success if there was any chance of a national US scheme in future: "If the biggest American state, and 8th largest economy joins the growing crop of emissions trading schemes, it could break the ice in this field in the United States."

Environmental campaigners have warned of weaknesses in the Californian scheme. Kassie Siegel, director at the Centre for Biological Diversity's Climate Law Institute in Washington, said: "There are some serious problems with California's scheme. Allocations shouldn't be given away for free. It creates massive windfall profits for polluters. If California is going to go forward with its cap and trade scheme it needs to fix the problem so we get the best result."