

The Advantages of Emissions Trading – a UK perspective

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The problem of climate change

- EU agreed that we must reduce emissions of greenhouse gases
- Question is *how* best to give an incentive for that (to put a price on emissions)
- Three choices:
 - Regulation (specific limits for particular emitters)
 - Taxes
 - Emissions Trading
- Want to do it as cheaply as possible – minimise burden on industry

Why emissions trading for industry?

- **Allows for carbon reduction where it will cost the least.**
- **Easier to agree at EU level than a tax.**
- Provides financial incentive for carbon abatement / new technology
- Provides maximum flexibility for industry
- Not saying this is best policy for all parts of the economy
 - ETS tackles emissions ‘upstream’
 - For ‘downstream’ emissions (e.g. electrical goods), regulation through standards might be better

UK industry views

- Accept action is necessary on climate change
- Accept that industry needs to take some of that action
- Emissions trading should be the key policy for industry because:
 - Cheapest
 - Lets industry decide how best to take action rather than Government
- Want a long term policy so they can plan effectively
- Want a harmonised approach across Europe
- These points set out in UK Manifesto (joint business/NGO/ Government document) – copies available

UK Vision for the Future

- Need a global carbon market
 - EU ETS should link to other trading schemes
 - Global scheme makes abatement cheaper, overall
 - More liquid market
- Simplified, streamlined, harmonised EU ETS
- Setting direction of policy further ahead
- Moving to more auctioning of allowances, and towards benchmarks rather than allocating based on historic emissions