Main elements of the Emission Trading Scheme

Sectors Covered
The system covers the power sector (all fossil fuel generators over 20 MW), oil refining, cement production, iron and steel manufacture, glass and ceramics, and paper and pulp production. The Commission will initiate a review which may propose to include additional sectors. **The scheme as it stands covers only CO2 emissions**.

Opt-in and opt-out
For the period 2005 - 2007 member states may "opt-in" smaller installations within the above sectors. From 2008- 2012 they may also "opt-in" additional sectors, including non-CO2 greenhouse gases. Member States were allowed to "opt-out" specified installations (subject to Commission approval) for the period 2005-2007, but must include all eligible installations thereafter.

National Allocation Plans
Member states were required to develop their first national allocation plans (NAP) for the period 2005 - 2007. The NAPs set targets for the relevant sectors and allocate allowances (each worth 1 tonne CO2) to installations for the relevant periods. The national allocation plans must fulfil the criteria set out in the Emissions Trading Directive, they have to be based on obective and transparent criteria and have to take account of comments from the public. NAPs for the period 2008-2012 will have to be submitted to the approval of the Commission by the end of June 2006.

Compliance
Installations covered by the directive must surrender to the competent authority a number of allowances which corresponds to their total emissions over each year. Individual installation can sell allowances to the market if they are able to reduce their emissions under the initial allocation level, and they must buy allowances if they exceed that level. Installations may also use (with some limitations) credits from CDM and JI mechanisms. Installations which are not able to surrender sufficient allowances to cover their emissions will pay a direct financial penalty (40 Euro per tonne CO2 from 2005-7, 100 Euro thereafter) and have to make up the deficit in subsequent commitment periods.

Grandfathering vs auctioning allowances
For the first two periods allowances will be allocated mainly free of charge. Member states have an option to auction a small proportion (up to 5% 2005- 2007, up to 10% 2008-2012).

Recommended

Publication

[Eating Greens]

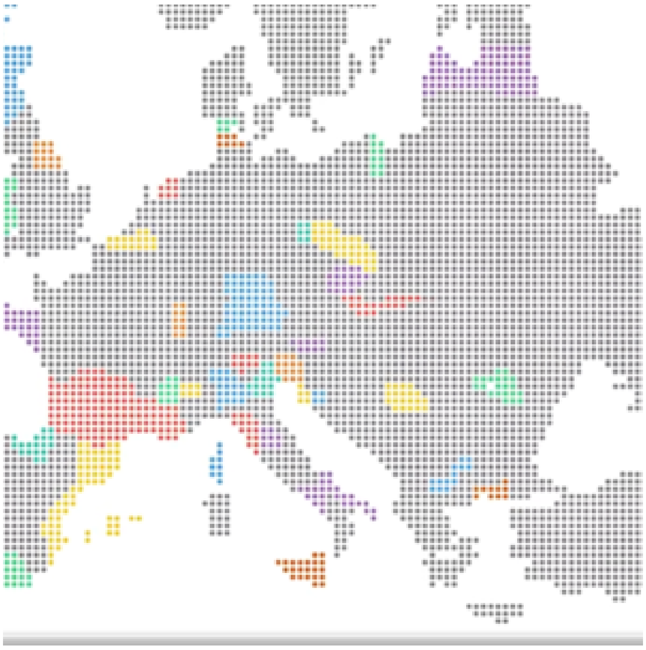
11.04.2024

Publication

[Trustworthy age assurance?](#)

08.03.2024

Publication



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