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General Secretariat

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**WK 2342/2017 INIT**

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## **MEETING DOCUMENT**

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From:	General Secretariat of the Council
To:	Working Party on the Environment
Subject:	Non-ETS (ESR): WPE 2 March - Presentation on German proposals for a project mechanism in the ESR

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With a view to the WPE meeting on 2 March delegations will find attached a presentation from Germany on the above.

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**EN**



Federal Ministry for the  
Environment, Nature Conservation,  
Building and Nuclear Safety



# **German proposals for a project mechanism in the ESR**

Working Party on the Environment  
2<sup>nd</sup> March 2017



# Motivation

- European Council of October 2014 called for significantly enhanced flexibility within the non-ETS sectors
- Flexibilities which enlarge the ESR budget can endanger the EU 2030 target
- A European Project Mechanism (EPM) can:
  - Enhance flexibility without changing overall budget
  - Create win-win situations for trading MS
- Cion proposal only marginally mentions projects



# Workshop

- BMUB organised an informal workshop on the matter on 12 December 2016 in Brussels
- Participants welcomed the idea of an EPM
- Explicit mentioning in the ESR would be helpful
- Obligatory EU-level harmonisation may restrict MS too much
  - Free choice between JI-like and GIS-like projects
  - Different conditions for transfer must be possible
- Slightly more interest in GIS-like transfers
- If possible, exemptions from transfer restrictions
- Idea: ESR pilot project – to be developed



# Different types of projects

- “JI-like”: Individual projects where payment is made for each ton of verified emission reduction, and these reductions are transferred (as AEAs) from the selling MS to the buying MS.
- “GIS-like”: Upfront agreement on transfer of allowances (AEAs) and payment – plus arrangement on use of revenues for greenhouse gas mitigation.



# Text proposal

## Amendment to Article 5 ESR (insertion)

**Para. 5a.** Member States should use revenues generated by transfers of allocations pursuant to paragraphs 4 and 5 to tackle climate change in the EU and third countries. Member States shall inform the Commission of actions taken pursuant to this paragraph.

**Para. 5b.** Any transfer pursuant to paragraphs 4 and 5 of this Article may be the result of a greenhouse gas mitigation project or programme carried out in the selling Member State and financed by the receiving Member State. By 1 June 2023, the Commission shall evaluate whether transfers under this paragraph can be exempted from the limit contained in paragraph 4 of this Article; and may adopt an implementing act to this end.



# Justification

PUBLIC

- Projects as a sub-type of “standard” transfers
- Openness to different types of transfer
- Requirement to use transfer revenues for climate action (as in ETS): Align all transfers to a certain extent with a project or programme approach



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**Thank you for your attention.**